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SURVEY OF THE MANUFACTURING INDUSTRY IN THE WEST BANK AND GAZA STRIP

(UC/PLO/82/231)

Terminal Report *

Prepared by the United Nations Industrial Development Organization

Based on the work of P. G. Sadler (team leader),
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INTRODUCTION

1. The objective to which this programme is related is the preparation of a comprehensive plan for economic and social development of the West Bank and Gaza Strip. The immediate objective of the project has been the preparation of a detailed survey of the manufacturing and industrial sectors in the area, as part of the Development Survey of Palestine to be prepared by UNCTAD.

2. The project has been instituted in line with resolutions 32/90F, 33/112C, 34/52C and 35/110 of the United Nations General Assembly, and resolutions of the Industrial Development Board, relating to assistance to the Palestinian people.

3. The project's purpose has been to review present industrial location policies, current industrial activities, and the distribution of that activity, the identification of resource based industries and the national resource base, to review the current and required manpower situation especially with regard to the development of the industrial sector, to review the factors favouring and militating against industrial development, to analyse standardisation and control policies in the industrial sector, to select sectoral priorities for the Development Plan, and recommendations on strategy and monitoring.

4. The work commenced on 19 January 1983, with P.G. Sadler working from Great Britain, and U. Kazi and H.M. Jabr working in the West Bank. The first named was to oversee the project and to conduct subsequent analysis, while the last two consultants were to be responsible for the conduct of the survey and the provision of the up-to-date information on the topics mentioned in the project's objectives. The first part of the work, including the survey, was completed by September 1983. Further work on sectoral priorities, monitoring, and a proposed administrative structure for planning and monitoring were carried out by P.G. Sadler between December 1983 and March 1984. P.G. Sadler was also required to report on possibilities of encouraging development, and removal of restrictions, under current conditions of delayed independence.

CONCLUSIONS AND RECOMMENDATIONS

The survey

1. The survey, which formed the first part of this project, was carried out under extremely difficult conditions. Due to problems of mobility experienced by fieldworkers employed, it could not be completed until several months after the period set aside for their work, and it could not cope with many of the wider aspects of industrial linkages and import/export activities which would have been ideally desirable. However, it has proved possible to supplement the information made available by material from other sources, and the conclusions and recommendations of the second part of the report are not in any way impaired.

2. Only 12,917 were found to be employed in the industrial sector, turning to the detailed results, out of a total workforce of around 218,000. Some 74,000 of this total are estimated to be employed in Israel, and of the number quoted as being employed in the industrial sector in the Occupied Territories, the overwhelming majority are in firms employing 10 or less.

3. Most firms were operating at around 50% capacity, due not only to market and financial restrictions but also to legal and other constraints persistently and often arbitrarily imposed on them.

4. Most of the firms surveyed were financed by owner-capital. There was little stimulus to expand, and the levels of inflation, coupled with high interest rates, made any proposition for expansion extremely risky.

5. With the low level of activity, and the restrictions placed on industrial developments generally, the small, owner-managed establishment is unable to offer either worthwhile employment conditions or a reasonable wage to workers. This reinforces the tendency for workers to seek employment in Israel and to debilitate the home economy.

6. Much activity is confined to repair work and low skill levels of activity, providing for local restricted markets. There is no production of any magnitude for export, and no major specialisation. Substantial parts of the sector rely on outwork supplied by Israeli factories, finishing goods for later sale in, or for export by, Israel. This is especially true in garment manufacture and footwear. The whole pattern of industrial activity seems to be based on workshop types of organisations rather than on factory organisation.

7. Due to this form of concentration, many of the more technologically based and sophisticated industries, especially those which rely on high capital inputs and large scale output for their efficiency, are not represented in the Occupied Territories at all. In fact, the conclusion that an industrial sector as generally understood hardly exists is reinforced by these new figures.

Geographical distribution of manufacturing activity

8. The information on this, confined to the West Bank, was gleaned from other sources than the survey, and illustrates that there is no regional specialisation of activity of any mention, except that based upon population concentration where much work is undertaken, especially in the garment and footwear industries, for Israeli factors. There is certainly little evidence of any regional specialisation of activity based upon natural locational advantage which could be expected to form the basis of future specialised development. The exceptions are soap manufacture based on olive oil, quarrying (which must obviously be based on suitable stone) and some fruit packing.

The legal and fiscal framework of industrial development

9. A detailed and systematic analysis was made of existing literature and evidence available on the current impediments, imposed either through the law and its administration or through the imposition of fiscal measures, which militate against industrial development. All these restrictions are imposed

through the occupying power, whose military have complete and effective control of the administration of law in the Occupied Territories. While we conclude that the military power will disappear when the Occupation ceases, the extent to which the administration of law and the usurpation of powers normally left to indigenous populations has obstructed, and often completely precluded, any exercise of rights to economic development is detailed in this report in order to illustrate the magnitude of the task of recreating those institutions so necessary to the smooth operation and development of any economy, and notably of its industrial sector.

10. Not only will the legal structure, and more importantly its administration, need to be completely re-oriented in order to encourage instead of hinder industrial development, but a whole new fiscal system, covering both home and exporting activities, will need to be created as a first priority so that an emerging industrial sector may be created on sound lines, both regarding its own efficiency and the contribution it can make to future economic prosperity.

The identification of the resource base

11. As far as current information shows, there are few natural resources which could give an independent Palestine any natural advantage in the development of an industrial sector. Apart from building stone, possibly phosphates, and some limestone suitable for cement manufacture, there are no minerals capable of development as far as is known. Especially, no energy sources are known to be available for exploitation. However, this does not mean that they do not exist. There is an urgent need for a comprehensive survey of minerals and other natural resources scientifically however, the probability that many resources are available but are as yet undiscovered is not high.

12. The only bases on which an industrial sector can draw are labour, agricultural output, and water. Admittedly, agriculture will compete with industry for the water supply available, and great care will need to be exercised in husbanding this precious resource, which at present is grossly underused by the Palestinians, although it is being exploited against their interests by Israel. The development of agri-industrial output (canning, preserving, etc.) could form part of industrial development, and would feed back into development of agriculture and the rural areas, but the main thrust of industrial development will need to be in the manufacturing sector.

13. Due to the shortage of so many raw materials, the lack of an energy source, and the general narrowness of the known resource base, the country's development will need to have an appreciable degree of export orientation so that the necessary imports may be obtained from the outside world. This cannot be stressed too highly, and it is a consideration which must receive prominence in any discussions on the form of future development. Even though the prime aim of earlier developments will be to provide for returning exiles, this export base must be established and be developed to operate with efficiency at the earliest opportunity.

Market potential of industries in independent Palestine

14. Here we consider both the home markets and export markets. We show first that the restrictions on the development of home industry have created a largely artificial demand for goods from Israel. About 75% of total imports are industrial products from Israel. Much of this, we contend, would be produced in a Palestinian State if such a state had been allowed to grow under its own sovereignty, and much would have been matched by the export of industrial output. We consider that there is much room for import substitution here, and also in the area of "importation" of part-finished goods for finishing and "export" back to Israel. It is probable that this practice distorts many of the figures, and there is no doubt that the development of more of the industrial process in the Occupied Territories, so that export only takes place of the final product, will result in a substantial increase in value added accruing to Palestine.

15. Conversely, the development of a Palestinian industrial sector, absorbing as we contend part of the labour at present commuting to Israel, will need to increase exports to compensate for the loss of wages earned by currently commuting labour. This, together with remittances which will reduce as exiles return, will form a substantial additional requirement on the foreign earning capacity of Palestinian exports.

16. As for exports, we note how the artificial restrictions on Palestinian activities have distorted the economy and stultified export potential, and that these restrictions would be removed in an independent Palestine. However, Palestine would be only one of many emergent countries competing for a share of the world's markets, while many of its competitors will be developing exports on a substantial base of indigenous natural resources. We note that many of the oil exporting Arab States, especially those in the Gulf, import very little from the Arab world, and that their imports are becoming increasingly dominated by the products of the established industrial countries. We consider the possibilities are great for the establishment of manufacturing activities in Palestine, especially those with a high labour content, and also low comparative transport costs, based on Arab oil producing countries' markets. This could well be accomplished by the use of investment funds from the same countries, so that there would be a vested interest in developing the markets in those goods and thus enhance the probability of the investments being profitable.

Factors favouring and those militating against industrial development

17. Most of these factors are dealt with under the appropriate headings in other parts of the report. The large supply of labour, arriving from various countries currently hosting them, and available to be organised along modern lines: - A probable return of a cadre of high class management, at present employed in key positions elsewhere; - A similar cadre of financial experts, and also of top class administrators who will contribute to the organisation of the country generally and thus facilitate the organisation of an efficient industrial sector; - The fund of goodwill which exists in many countries for the Patestinian people, especially the Arab countries, wherein we suggest great marketing possibilities exist. As to these markets, we suggest that there are great possibilities for their exploitation by industries which concentrate on the assembly or finishing of many of the

consumer goods now being imported into the high consuming and importing Gulf States. These States could find it very beneficial in two ways. Firstly, "trade rather than aid" would be less costly to them in the long-run. At present they are donating large sums of money to the support of the Palestinian people in their plight and to cater for their refugees. Secondly, we suggest that Palestine is an excellent host country for future investment, which would be based upon the needs of the investing countries, so that the industrial development of a Palestinian State within the Arab world would be beneficial to Palestine and the investing nations. However, there is a great need to concentrate on "producing for the markets" and much more concentration will be necessary on the needs of the modernised markets, in the Middle East especially. A much more modern attitude will be necessary than that found at present in Palestine, but it would be anticipated that as the diaspora returned then this more modern approach will be cultivated.

18. As to the factors militating against industrialisation, we instanced earlier the lack of most of the basic raw materials associated with a fully industrialised state. Not only are there no known sources of metal ores or other basic or material inputs, but a complete lack of an energy source. Such requirements will need to be imported, so that it is essential that Palestine be an export-oriented country in order to provide for the necessary imports. The lack of other resources throws a great onus on those remaining, especially labour, and it is suggested that the exploitation of this base will be the key to any successful development. Due to the lack of transport facilities, the separation of the emergent state into two parts, the Gaza Strip and the West Bank, and the landlocked nature of the former, the industries chosen, and the stages of activity chosen for special attention, must be those in which there is a low transport cost relative to total value, and a high labour-value added content in the stages undertaken in Palestine.

19. We deal with the types of industry best suited for Palestinian development in paragraph 31 in greater detail, but we merely note here that this type of industry has been the basis of industrialisation in a number of countries, notably in the Far East, and if Palestine was persuaded to concentrate on the Arab markets in the first instance, then it will have the advantage of a favourable climate for export, and will also be producing for countries within its own cultural sphere, and for a market with which it will have much affinity. It should be stressed that Palestine is not seeking a large share of the world's markets, although competition is always fierce. The state we envisage will only be very small even after the anticipated resettlement of all exiles who wish to return to their homeland. Concentrated effort and wise choice, with a measure of goodwill and favoured assistance in initial marketing, should be sufficient to provide the emergent state with reasonable prospect of success.

20. As well as natural obstacles to industrialisation, Palestine at present suffers from a number of others which we describe and list, including: (1) small and scattered nature of current industrially based activity; (2) the small, lowly capitalised types of organisation which predominate, often producing for the local market; (3) the lack of a basic organisational infrastructure, including producer and labour organisations, a financial system to organise and channel investments and savings, as well as to provide expert financial advice, and so on. Then again there are the impediments imposed by the occupying power through the fiscal and legal system. All these will disappear when the occupation terminates, but the final plans for industrialisation must include tangible proposals for filling this vacuum at an early date.

Manpower skills and training for industry

21. As in other parts of this report, we must differentiate between the labour at present resident in the Occupied Territories and those in the diaspora. Also, it is necessary to further divide the latter into those resident in the refugee camps and those in residence and employment in other countries.

22. Of the first group, we note how a large proportion of those in employment in the Occupied Territories (28.4%) are employed in agriculture, and only 16.4% in industry. With the industrial activity being at a low level and narrowly confined to local requirements, this would be a severe handicap to industrial development if this were to be the only base on which it is to be developed. However, a third of the workforce, predominantly male, and in the younger age groups, commute to Israel for employment. Of this category, 20.9% are employed in industry (and a further 47.7% in construction). When the two categories are combined, the amount of labour available for expansion in the industrial sector is much greater as a proportion of the labour-force than would be indicated by the figures for employment in the Occupied Territories alone. It is also held that the skills and abilities of those resident in the Occupied Territories are being grossly underutilised, and that the high proportion of those commuting to Israel who work in construction is evidence of this, in that many who could otherwise be employed at a higher level of skill are forced to work at menial tasks in the construction industry. From what is known of the education levels, those remaining in the Occupied Territories are certainly showing constant improvement in the levels of literacy and in those receiving and finishing full-time education, although the use of ability by those employed seems, if anything, to be diminishing especially within the Occupied Territories.

23. Of those living in the neighbouring countries of Lebanon, Syria and Jordan (prior to the Israeli invasion of Lebanon this total was 1.6 million, or about 40% of the total Palestinian population, and about 30% more than the current population of the Occupied Territories) many of these were resident in refugee camps, and most might be expected to return to Palestine on liberation. Although the efforts on the provision of education to these people have been quite extensive, the surveys undertaken by the Central Bureau of Statistics, Palestine National Fund, show that the education levels of camp residents is not high. This, however, is almost certainly due to the tendency for the more highly educated to seek employment elsewhere in the Arab world, where skilled and educated people are in high demand, especially if such people share the same language and culture as their new hosts. This type of emigration is not frowned on by the families of migrants, as almost invariably such migrants make substantial remittances for the support of their families.

24. Of those living outside Palestine but not resident in the refugee camps, nothing definite can be stated about their education levels and skills, except that all observations would indicate a substantially higher level of both educational attainment and their application of it in the trades and professions in which they are employed. Especially is this so in the Gulf Oil States, where Palestinians are to be found in the top echelons of most of the professions and also in those posts which require a high level of technical skills, i.e. as scientists, engineers, and industrialists, many are also bankers, accountants, and administrators. It is from these people that the

leaders of the industrial development of the future Palestine must inevitably come, yet probably the greatest unknown factor in the problem facing Palestine is the number of these people who will wish to return, especially during the early years of liberation, the time when they will be most needed.

25. The problem of skill availability seems therefore two-fold. The first is the undoubted need to provide much more technical education for the greater mass of Palestinians likely to return and who will form the main body of the industrial workforce. We envisage that the growth of the industrial sector will be much more rapid than that of any other. The second will be to arrange and to encourage as far as possible the early return of many of the highly trained Palestinians at present in the diaspora, and that this return should be accomplished as soon as possible. Even though this return may initially be on a temporary basis, there will be an urgent need to co-ordinate the efforts of highly skilled personnel, not only Palestinian, but those from other Arab States and feasibly from international bodies who will make them available. These efforts will need to be sustained over a long period of reconstruction if future, indigenous industrial development is to be contemplated on a self-sustaining basis.

26. As to technical and industrial education in the newly liberated state, this must receive the same level of urgent priority.

Capital requirements and availability

27. At this point of our inquiry, we have only dealt with this topic at the broadest aggregate level. Elsewhere, especially in an appendix, we note the need for Palestine to establish itself on a reasonable growth path as well as to achieve sufficient expansion to provide employment for the returning Palestinian population. We have attempted to evaluate some feasible alternative growth scenarios to ascertain the levels of investment needed to sustain them, and note that the growth components in the reconstruction years will need to be supported entirely by external capital. A "no growth" scenario (i.e. a constant GNP per capita) requires a substantial inflow of such capital, not only to provide for the returning diaspora, but also to compensate for the loss of earnings from labour working in Israel and the fall-off in remittances. It must not be forgotten that a constant GNP per capita will require an increasing GDP per capita as external income sources fall.

28. Thus only about $550 million * per annum would be needed from outside sources to maintain GDP per capita at current levels during a period in which population expanded from 1,372,460 to 3,506,720. However, the same population increase with a per capita growth rate of GNP of 2 1/2% would require around $702 million * per annum, and a growth rate of 5% would require $1,043 million * per annum on average. In view of our assertion that a large part of the extra GNP, and even more so a large part of any increase in it, will need to be provided by the industrial sector, it follows that this sector will need to be the recipient of a major part investment.

29. This need for outside finance to support the expansion and growth in the economy has important consequences for the form of organisation of the economy which the Palestinian people adopt. Given an open economy, with concentration on high value added activities, and specialisation to encourage

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* At 1975 prices.

exports as we advocate, then it would be feasible to encourage the investment in Palestine of finance, especially Arab finance, for the development of those industries. In effect, such investment will be in the Palestinian people, and would make good economic sense, in that if concentration were to be on Arab markets as outlets for products, the Arab States would have a stake in the decisions on those products, and also, as providers of much of the funds to support the Palestinians in their struggle, any indigenous development that investment will create should reduce the dependence of the Palestinians on this type of support.

30. The problem of market development cannot be stressed too highly. The development of Palestine, using first agriculturally-based industries and progressing to assembly and light engineering type industries, would be a new phenomenon in the Middle East, and would be capable of exploiting rapidly growing markets in the region for these types of products. However, trading links and being forged with other regions for the same goods, and the success of Palestinian industry will depend usually on the ability to tap those markets and to compete with current suppliers. Even though the goodwill may be there, it needs to be identified and channelled at an early date, and the market identification and assessments should present the detailed choice of industries and their scales of operation.

The industrial strategy

31. We stress the need to define the aims of industrialisation in social as well as economic terms so that the criteria for assessing the efficiency of a strategy may be established and may later be used to monitor the efficiency of its performance.

We have defined these as the need to:

(a) Increase incomes per capita;

(b) Provide returning exiles with employment;

(c) Integrate returning exiles with those already resident, and to avoid enclave development by which the industrial sector separates from the rest of the Palestinian society;

(d) Create an equitable balance in regional development, especially between the West Bank and Gaza Strip;

(e) Provide for an adequate period of reconstruction during which those returning to Palestine may do so, in which the economy may establish itself as independent from that of Israel, and by the end of which it will have established conditions for self-sustained growth.

We recommend that early attention be paid to:

(a) The development of the small-scale workshops, with an overseeing organisation to handle advice marketing and finance in order to consolidate and expand an existing base;

(b) A concentrated development of agriculture to provide new products for agri-industry as well as to upgrade existing outputs;

(c) The development of an agri-industry (packing, canning, fruit drying, oil and juice extraction, and freezing) based on a sound and pre-formulated marketing strategy;

(d) The development of tourism;

(e) Quarrying, stone cutting and marble polishing;

(f) The development of assembly-type industries, concentrating where possible on maximising value added when consistent with the employment objective;

(g) Specialist, small-scale developments requireing high skills to provide employment for surplus highly qualified labour.

We would see (d), (e) and (f) as especially suitable for attracting outside private investment, and stress the need for public investment in infrastructure and organisations to make investment by outsiders attractive.

The strategy we suggest is not detailed, but rather is it an outline of an approach to the formulisation of detailed plans and the source of criteria by which such plans can be evaluated.

32. Our terms of reference also require recommendations on monitoring the strategy and its implementations. This we found inseparable from a further requirement, to suggest an administrative structure for planning and implementation of plans within the strategy. Accordingly, we have dealt with administrative structures more widely than that required by the strict observance of the terms of reference stressing that an administrative structure, like a strategy or a plan, must be a servant of the functions it must perform, and that it is an interacting mechanism with much wider relationships in the economic and social spheres than that envisaged by planning alone. Not only must its structure be decided according to the tasks required of it, but its performance must be judged according to criteria derived from overall economic and social objectives.

As well as monitoring the performance of plans and the strategy, the administration will be required to monitor the problem. Given the need for extensive reconstruction, the strategy and plans will be based on assumptions concerning the development of requirements, notably by an assumption concerning the rate and ultimate size of the returning diaspora. Assumptions can only be best estimates, and there must be sufficient flexibility in planning, and the requisite flexibility in administration, to adapt to departures from a given set of assumptions and to revise plans accordingly.

33. We were required also to suggest ways in which current action, prior to liberation, could be taken to arrest deterioration, to promote development, and to overcome legal restrictions at present militating against development. Regarding the last, visits to offices and discussions with officials close to the Palestinian people confirm our view that it is the administration of regulations as much as the laws which empower them which are restrictive. Most restrictions are imposed by administrative orders, and these are given by the military commander.

The restrictions are imposed in ways which often cause further restrictions, yet there is no effective recourse to law available to the Palestinian people, neither have they any political power to influence the administration or those who formulate the enabling legislation under which the administration operates.

As to suggestions for stemming further deterioration and stimulating development, we note the immense efforts now being taken by the P.L.O. and by Arab agencies, to organise economic activity in a more rational manner, to upgrade machinery and techniques, to stimulate markets, and to introduce the necessary capital to enable their tasks to be accomplished. We note that these efforts are entirely in conformity with our own proposals listed in the report.

CHAPTER 1

1.1.0 A survey of the industrial sector in the Occupied Palestinian Territories of the West Bank and the Gaza Strip, 1983

1.1.1 The survey was carried out from Bir Zeit University and directed by Dr. Umar Kazi and Mr. Hisham Jabr.

1.1.2 The survey was conducted during the first half of 1983, and consisted of two parts. One, the identification of the number, type, and size of individual units in the Occupied Territories, the other an in-depth study of a sample consisting of 150 units in all to ascertain information on capacity, capacity utilisation, marketing, finance and management.

1.1.3 The unit used for the survey was "the firm" defined as a body working as a production unit under a single management.

1.1.4 Due to problems of communication most of the firms included in the detailed survey were located in the West Bank, but through personal contacts it was possible for the supervisors of the research to obtain data on some firms in the Gaza Strip also.

1.1.5 Additional sources of information include:

(a) Various publications by the Israeli Government, including that from the Israeli Department of Customs and Excise, the Central Bureau of Statistics, and reports on the Administration of the Occupied Territories;

(b) Annual Reports of some firms;

(c) Informal interviews with heads of certain public and private organisations;

(d) Information provided by public accounting offices in Jerusalem and Gaza.

1.2.0 Brief summary of findings

1.2.1 There are 4,006 industrial firms in the Occupied Territories of the West Bank and the Gaza Strip. 2,991 in the West Bank, 1,015 in the Gaza Strip.

1.2.2 13% of these firms are engaged in garage and minor repairs, smithing, and simple metal manufacture including furniture, 11% in quarrying, cement block and floor tile manufacturing, 13% carpentry and joinery, 20.5% sewing and garment manufacturing, 2% shoemaking, leather and plastic goods, 40.5% other miscellaneous products.

1.2.3 The majority of the firms surveyed were only working at around 50% capacity, due not only to persistent monetary and economic crises in Israel, but also to the obstructive legal and financial constraints imposed by the occupying authorities.

1.2.4 Most of the firms are financed by owner capital. This is both symptom and cause of the small size of firms. Those operating at low levels of capacity have no stimulus to expand, while those few which may have such stimulus find the high rate of interest charged by Israeli banks, and the lack of alternative sources of funds, severe impediments. The continual devaluation of the Israeli currency is an added factor which creates severe uncertainty.

1.2.5 The small size of the industrial sector is illustrated by the fact that of the 12,917 found to be employed in the sector, 98% of the firms employ ten or less.

1.2.6 Of a current labour force of around 218,100, 74,000 are estimated to be employed in Israel. This confirms previous studies where about one-third of the labour force has been estimated to be so employed.

1.2.7 Although their wage levels are lower than their Israeli counterparts, the wages paid often are higher than possible earnings in the small owner organised manufacturing firms in the Occupied Territories. Under conditions of low capitalisation and below capacity operation of these small firms, this has a further adverse effect on prospects for expansion.

1.2.8 As shown elsewhere in the study, both the productive sectors and markets of the Occupied Territories have become subservient to the economy of Israel. By 1981, 90% of the Occupied Territories' imports came from Israel, and consisted predominantly of industrial products, while Israel absorbed 72% of their exports. The constant adverse conditions of industrial activity in the Occupied Territories compared with conditions in Israel have been weakening the production base to such an extent that few firms in the Occupied Territories can now compete even in their own markets, so that industrial activity is now being confined almost exclusively to the handicraft and repair types of activity, and those capable of being conducted at a low technological level.

1.3.0 Conduct of the survey

1.3.1 The Directors of the survey acknowledge the assistance of a number of academic colleagues and students who assisted in carrying out the survey.

1.3.2 The survey was hampered by a number of intervening factors during the period. Strikes and curfews made travel difficult and often made contact with industrialists impossible. Also, the weather during the first half of the period was extremely poor, with much snow restricting mobility.

1.4.0 Survey results and discussion of tables

1.4.1 Due to the problems of data collection referred to, most of the detailed information provided is from the West Bank, while that for the Gaza Strip is much more general. Consequently, in the Tables many West Bank firms appear under detailed headings, whereas in the Gaza Strip they have been lumped under more general headings. For example, in Table (1.1) the great majority of firms producing food items in the West Bank have been classified in detail, those in the Gaza Strip all appear under the lesser heading of "food products", a title only used in the West Bank firms for those which do not fall under any of the other classifications.

1.4.2 There is also a discrepancy in the figures in that "garages" were included in the surveys in East Jerusalem and the Gaza Strip, whereas they were not included in the other areas. As these form a substantial number, they are bound to create a bias if the data are used in their raw state.

1.4.3 The whole picture portrayed in Table (1.1) is one of small workshops, providing for local markets, and in general spread throughout the country. In fact, there is no evidence in the detailed figure on which the table is based to refute that picture. Much of what is classified as "industry" is more akin to the small-scale activities associated with agriculture and the small towns and villages characteristic of agricultural communities rather than to an industrial sector in which many specialised firms cater for a whole economy. Only one or two exceptions are evident from the aggregate figures. "Cigarette manufacture" in East Jerusalem, one or two larger units in "paper and printing" in Bireh and Ramallah, and in "soap and detergents" and "chemicals" generally. None of these plants can be said to be of a stature sufficient to form a basis for development of the type and form necessary for a modern economy. By contast, a large number of examples of the smallness of units exist throughout the table. In the "food and drinks" activities these are almost without exception units such as bakeries and similar establishments catering for a local population. A possible exception is in "soft drinks" in the Gaza Strip, where one or two larger units increase the average size somewhat. But, it is in "textiles, wood and furniture, and shoes" that the large number of small units show so vividly. The "shoes" category rely almost exclusively on small outwork activities rather than any large scale manufacture, and the "furniture" similarly rely on demand from local markets. But the "textile and knitting" group contains many units taking in outwork from Israeli factories and finishing them for return and marketing by Israeli factory owners and agents. This is a classic example of the use of a fragmented industry by entrepreneurs (a) to keep down labour costs, as only piecework payments are made and the wage/output ratio is guaranteed (b) to minimise capital outlay, as much of the cost falls on the worker (c) to escape labour and other regulations, notably on safety and working conditions, as the possibility is transferred to the worker or small-scale employer; it is not the responsibility of the Israeli agent or contractor.

1.4.4 Referring to a previous survey undertaken by ECWA in 1979, a size distribution of firms in both the West Bank (excluding East Jerusalem) and the Gaza Strip has been prepared which allows us to make some comparison between the sizes of establishments in those areas with establishments in Israel and Jordan. Tables (1.2) and (1.3) bear out our previous point on the predominance of small scale activity in the Occupied Teritories and need no further comment. As the data for these were gathered for different purposes, however, direct comparison between Israel, Jordan, and the Occupied Territories is not possible. Consequently, if we compare Israel with Jordan we obtain a picture exhibiting substantial differences, and then if we examine the data we have on the Occupied Territories we can make many comparisons which show the difference between the condition in the Occupied Territories and the two neighbouring countries in a more telling way. Table (1.4) compares Israel with Jordan, immediately some of the differences between the two countries can be noted.

(a) The average size of establishments in Israel is some 4 1/2 times the average in Jordan. This in itself can be a difference due to the industrial structure if Israel were to be concentrating on activities where large economies of scale were being exploited, however, and it is in the distribution of activities within the sector and their respective sizes we should look for greater detail;

(b) The extent to which mining and quarrying in the Jordanian figures exceed those of Israel. Mining and quarrying depends almost exclusively on national physical endowments, and Jordan has these, while Israel has very much less, in the form of stone and other building materials. (Jordan also has phosphates and potash deposits not all of which are yet being exploited);

(c) "Food, beverages and tobacco" in Israel is a significant proportion (13.6%) but it is greatly exceeded by Jordan, at 22.9%. Combining this with mining and quarrying, the two groups occupy over 35% of the total labour in Jordan, but only just over 15% in Israel;

(d) Most of the comparatively labour intensive activities (textiles, wearing apparel, leather, woodwork, paper, etc.) do not show significant differences between the countries, but when one examines the more capital intensive, and higher technology activities (chemicals, machinery, iron and steel, metal products, etc.) these show a significant difference in favour of Israel. The bias towards modern, sophisticated activities in the Israeli economy is evident;

(e) Turning to the average size of establishment within the various activities in the sector, it is here that the Israeli difference shows up most markedly. In all activities except one (paper products) the Israeli figure is greater than the Jordanian. In most cases the difference is markedly larger, indicating the probability that the activity may well be conducted under a completely different organisational structure, e.g. wearing apparel, 29.6 employed per unit in Israel, 3.9 per unit in Jordan. This would suggest a tendency towards factory organisation in Israel, with a more workshop type of organisation in Jordan;

(f) The higher percentage of the workforce in the more sophisticated and higher technological activities in Israel is matched by larger sizes of unit in terms of employment in those activities. Thus, Jordan not only has a smaller proportion of the industrial labour force in these activities, but also has small units.

1.4.5 The general picture which emerges from these and other figures is of a much more evenly balanced sector in Israel, with a greater preponderance of the more dynamic, leading industries on which industrial progress will depend, and with larger output units reflecting a more industrial style of output organisation. When this is viewed against the greater proportion of GDP produced by agriculture in Jordan (7.9% as opposed to 4.7% in Israel) then the difference in the relative importance of the industrial sectors in the two economies, and their level of development, seems clear.

1.4.6 It is when we compare the figures for Israel and Jordan with those for the Occupied Territories, however, that differences become even more striking. Tables (1.2) and (1.3) show us that 63%-65% of people employed in the West Bank and Gaza Strip are employed in the categories food, beverages, tobacco, textiles and clothing, leather and its products and wood. Whereas the figures for Israel and Jordan, interpolated from table (1.4), are 37.8% and 49.0%. The greater percentage employed in the more technically advanced types of industry, and those industries on which dynamic growth must ultimately depend, is obvious for Israel, and still significantly different even in the case of Jordan.

1.4.7 Table (1.5), shows, for those categories for which strictly comparable data are available, the differences between the Occupied Territories, Israel, and Jordan in a different form, and illustrates the disparity between sizes of establishments in each. While these figures show averages only, and do not take account of the spread of establishments across sizes, we know from Table (1.2) that the sizes for the Occupied Territories are predominantly low in virtually all categories, so that the disparities in Table (1.5) faithfully reflect the differences between the Occupied Territories and the two neighbouring countries.

1.4.8 The differences between the Occupied Territories and Israel are so marked that one must conclude that the two are on a completely different plane of development, and even though this is confirmed by other indicators, (GDP per capita etc.) the consequences for future industrialisation and its organisation must be recognised. Even when comparison is made between the Occupied Territories and Jordan, there is still evidence of some factory type organisation in some areas, in the latter, indicating a movement towards a more modern industrial sector. In the Occupied Territories we can find no such evidence. In Khouja and Sadler (op.cit.) it was suggested that "an industrial sector as such hardly exists in the Occupied Territories", and under the circumstances illustrated here this seems confirmed. The needs for development of the sector, therefore, will not only include massive injection of capital to commence and to expand new industries, but also the creation of a whole new environment, modern in outlook, and receptive to the ideas of large scale organisation and management.

1.4.9 Luckily, this may not prove as difficult as it may seem. A significant number of those at present commuting to work in Israel are already used to working in factory conditions, and many returning exiles will be from other areas where such conditions already apply. The latter group will also include many in supervisory and managerial positions. It is important that their experience be used to transform the existing situation, and that the need to harness and co-ordinate these abilities at an early date be recognised, and catered for in any planning of the future industrial sector.

TABLE (1.1)

Kind of Industry	Nablus		Bireh & Ramallah		Hebron		Tulkarm & Qalquilia		Jenin		Jerusalem		West Bank		Gaza Strip		Total		Average		
	Units	Employees	Units	Employees	Units	Employees	Units	Employees	Units	Employees	Units	Employees	Units	Employees	Units	Employees	Units	Employees	West Bank	Gaza Strip	Total
Food Products	8	225	-	-	-	-	2	4	3	3	43	80	58	311	58	433	113	744	5.7	7.5	6.6
Flour	5	50	4	10	7	30	8	30	6	40	-	-	30	159	-	-	30	159	5.3	-	5.3
Dairy Products	3,	14	1	10	2	15	-	-	1	3	-	-	7	43	-	-	7	43	6.1	-	6.1
Bakery	53	136	28	47	26	62	24	78	18	20	-	-	151	341	-	-	151	341	2.3	-	2.3
Biscuits, choclates, sweets	27	49	5	136	-	-	1	5	1	3	-	-	34	193	-	-	34	193	5.7	-	5.7
Ice Cream	3	28	-	-	-	-	-	-	-	-	-	-	3	28	-	-	3	28	9.3	-	9.3
Macaroni	1	2	-	-	1	10	-	-	-	-	-	-	2	12	-	-	2	12	6.0	-	6.0
Textile and Knitting	300	801	90	270	74	313	104	887	21	49	38	40	653	2330	166	879	819	3209	3.4	3.8	3.4
Food Oil	-	-	3	18	3	33	8	8	3	11	-	-	17	70	-	-	17	70	4.1	-	4.1
Shoes Industry	107	208	10	19	184	348	4	4	-	-	-	-	305	577	6	16	311	593	1.9	2.7	1.9
Soft Drinks	3	9	-	-	-	-	-	-	-	-	7	10	10	19	9	191	19	210	1.9	21.2	11.0
Leather Products	7	16	3	4	13	29	-	-	-	-	-	-	24	49	-	-	24	49	2.0		2.0
Wood and Carpentry	141	274	37	78	80	185	34	201	27	33	70	192	429	941	90	638	519	1579	2.2	7.1	3.0
Furniture	194	388	29	90	39	45	9	14	8	12	-	-	279	437	-	-	279	437	1.6	-	1.6
Paper and Printing	13	65	4	67	4	7	-	-	-	-	7	19	28	158	13	78	43	236	5.6	6.0	5.5
Plastic Products	3	29	-	-	-	-	-	-	-	-	3	128	6	157	28	333	33	178	26.2	6.0	11.9
Pharmaceutical	3	18	10	92	1	8	-	-	-	-	-	-	14	118	-	-	14	118	8.4	-	8.4
Rubber Products	1	4	1	3	-	-	-	-	-	-	40	44	42	51	-	-	42	51	1.2	-	1.2
Soap and Detergents	24	131	3	21	2	21	1	3	1	1	-	-	30	187	-	-	30	187	6.2	-	6.2
Watches Industry	1	70	-	-	-	-	-	-	-	-	-	-	1	70	-	-	-	70	2.0	-	2.0
Chemical Products	1	2	-	-	-	-	-	-	-	-	-	-	1	2	-	-	1	2	2.0	-	2.0
Oil Refinery	1	7	-	-	-	-	-	-	-	-	-	-	1	7	-	-	1	7	7.0	-	7.0
Glass	5	50	-	-	10	50	-	-	-	-	-	-	15	100	-	-	15	100	6.7	-	6.7
Cement Products	46	177	18	84	11	41	38	94	9	30	-	-	122	426	303	627	425	1053	3.4	2.1	2.5
Marble, Bricks, Tiles	8	38	6	30	8	31	4	16	12	26	33	45	69	173	-	-	69	173	2.5	-	2.5
Iron Industry	3	5	-	-	-	-	-	-	-	-	-	-	3	5	-	-	3	5	1.7	-	1.7
Tin Industry	4	7	-	-	2	7	-	-	-	-	-	-	6	14	-	-	6	14	2.3	-	2.3
Metal Tools	82	319	18	38	14	27	60	50	30	42	-	-	190	474	-	-	190	474	2.5	-	2.5
Electrical Products	1	2	1	1	-	-	-	-	-	-	-	-	2	3	-	-	2	3	1.5	-	1.5
Metal Furniture	17	46	4	12	1	3	-	-	-	-	-	-	25	61	-	-	25	61	2.4	-	2.4
Jewelry	25	48	17	44	10	18	-	-	-	-	-	-	53	110	-	-	53	110	1.9	-	1.9
Straw Industry	18	39	2	5	-	-	-	-	-	-	-	-	20	44	-	-	20	44	2.2	-	2.2
Blacksmith	-	-	13	47	88	288	24	67	1	1	92	97	217	500	-	-	217	500	2.3	-	2.3
Cosmetics	-	-	1	4	2	7	-	-	-	-	-	-	3	11	-	-	3	11	3.7	-	3.7
Workshops (Equipment Manufacturing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119	831	119	831	-	6.9	6.9
Clay Products	-	-	-	-	3	8	-	-	-	-	-	-	3	8	-	-	3	8	2.7	-	2.7
Pipe Products	-	-	1	5	2	11	-	-	-	-	-	-	3	16	-	-	3	16	5.3	-	5.3
Alluminium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	91	9	91	-	10.1	10.1
Citrus Packing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	103	10	103	-	10.3	10.3
Canning	-	-	-	-	-	-	-	-	-	-	1	2	1	2	-	-	1	2	2.0	-	2.0
Olive Wood Products	-	-	-	-	-	-	-	-	-	-	70	80	70	80	-	-	70	80	1.1	-	1.1
Cigarettes	-	-	-	-	-	-	-	-	-	-	2	182	2	182	-	-	2	182	91.0	-	91.0
Garages	-	-	-	-	-	-	-	-	-	-	71	71	71	71	211	732	282	803	1.0	-	1.0

TABLE (1.2)

DISTRIBUTION OF ESTABLISHMENTS IN THE WEST BANK BY MAJOR GROUPS AND LEVEL OF EMPLOYMENT FOR THE YEAR 1979

Major Groups	Total[a/]	(%)	Distribution by level of employment						Average Employment per Establishment
			1	2-3	4-7	8-10	11-20	21	
Food, Beverages and Tabacco	232	(10.5)	85	61	65	7	6	8	4.0
Textiles and Clothing	485	(22.0)	132	170	107	26	40	10	4.6
Leather and its Products	234	(10.6)	62	117	52	2	1	-	3.1
Wood and its Products	437	(19.8)	160	205	59	7	6	-	2.7
Rubber, Plastic and Chemical Products	51	(2.3)	6	14	11	5	3	12	5.6
Non-metallic Minerals	122	(5.5)	4	32	63	11	10	2	6.0
Basic Metal and Metal Products	419	(19.0)	57	236	117	3	4	2	3.4
Other Industrial Products	227	(10.3)	79	85	44	10	6	3	3.4
TOTAL	2207	(100)	585	920	518	71	76	37	3.8

a/ Does not include East Jerusalem

Source: UNECWA, Industrial and Economic Trends in the West Bank and the Gaza Strip, 1982.

TABLE (1.3)

DISTRIBUTION OF ESTABLISHMENTS IN THE GAZA STRIP BY MAJOR GROUPS AND LEVEL OF EMPLOYMENT FOR THE YEAR 1979

Major Group	Total	%	Distribution by level of employment						Average Employment per Establishment
			1	2-3	4-7	8-10	11-20	21+	
Food, Beverages and Tobacco	199	(14.9)	79	72	36	4	5	3	3.2
Textiles, Clothing, Leather and its Products	490	(36.7)	199	99	95	43	44	10	4.6
Wood and its Products	198	(14.8)	31	94	61	4	2	6	4.0
Basic Metal, Metal Products, Electrical and Transport Equipment	249	(18.2)	80	85	64	6	2	5	3.5
Other Industrial Products	205	(15.4)	18	73	88	11	10	6	5.2
TOTAL	1334	(100)	407	423	344	68	62	30	4.2

Source: UNECWA. Industrial and Economic Trends in the West Bank and Gaza Strip, 1982.

TABLE (1.4)

NUMBERS ENGAGED, ESTABLISHMENTS AND SIZE OF ESTABLISHMENTS

	ISRAEL (1979)			JORDAN (1978)			ISRAEL	JORDAN
	Establishments	Number Engaged	Average Size	Establishments	Number Engaged	Average Size	% of Total Engaged	
Mining and Quarying	59	4,840	82.0	102	4,090	40.1	1.7	12.8
Food, Beverages, Tabacco	952	38,480	40.4	1,389	7,340	5.6	13.6	22.9
Textiles	492	17,830	36.2	172	1,943	11.3	6.3	6.1
Wearing Apparel	1,069	31,440	29.4	673	2,652	3.9	11.1	8.3
Leather and Footwear	386	3,780	9.8	221	1,298	5.9	1.3	4.1
Wood and Furniture	1,802	15,740	8.7	964	2,437	2.5	5.5	7.6
Paper Products	160	5,830	36.4	11	577	52.5	2.1	1.8
Printing & Publishing	833	10,480	12.6	50	600	12.0	3.7	1.9
Ind. Chemicals and Petroleum	260	17,870	68.7	71	1,040	14.6	6.3	3.2
Rubber & Plastics	436	12,340	28.3	16	284	17.8	4.3	0.9
Pottery, Glass etc.	429	11,090	25.8	372	3,472	9.3	3.9	10.9
Iron, Steel, Other Materials	150	5,870	39.1				2.1	
Metal Products	2,364	41,100	17.4	552	2,200	4.0	14.5	6.9
Machinery (NES)	255	9,030	35.4				3.2	
Electrical Machinery	532	29,540	55.5	155	722	4.7	10.4	2.3
Transport Equipment	117	22,230	190	791 (inc repairs)	2,622	3.3	7.8	8.2
Professional Goods and Other	443 (excl.Diamonds)	6,470	14.6	172	720	4.2	2.3	2.3
	10,739	283,920	26.4	5,641	31,997	5.7	100	100

Derived from latest censuses available for the two countries

TABLE (1.5)

Average size of Establishment in Israel, Jordan, West Bank and Gaza Strip, according to numbers employed. 1978-1979 for selected industrial activities.

Major Groupings	West Bank	Gaza Strip	Israel	Jordan
	Average Number Employed			
Food, Beverages & Tabacco	4.0	3.2	40.4	22.9
Textiles & Clothing	4.6	4.6	31.5	5.4
Leather and its Products	3.1	-	9.8	5.9
Wood and its Products	2.7	4.0	8.7	2.5
Rubber, Plastic & Chemicals	5.6	-	28.3	17.8
Metal & Metal Products	3.4	-	18.7	4.0

Compiled from Table 1.4 and 'INDUSTRIAL AND ECOMOMIC TRENDS IN WEST BANK AND GAZA STRIP'ECWA' 1982

CHAPTER 2

2.0 The geographical distribution of manufacturing establishments

2.1.1 Due to the smallness of the general size of establishments, and the accent on provision for the local market, there is no clear pattern of location evident in any of the figures available. Tables (2.2) to (2.10) were compiled by Bakir Abu Kishk*, for the year 1980, but apply to the West Bank and Jerusalem only. His survey did not cover so many of the acitivities as shown in the survey reported in this volume, but the distribution of activities is well represented in his tables. They enable us to compile Table (2.1) which shows the relative concentration of various activities in the areas shown.

2.1.2 Very few positive features emerge from the tables. There is a large concentration of textile manufacture in a number of areas. In Tulkarim 65.4% of industrial labour is concentrated in this industry and 29.9 per cent in Nablus. With Bethlehem (17.3%), Ramallah (15.3%), Hebron (14.7%) and Jenin (13.0%), it is obvious this industry occupies a large proportion of population, but spread throughout the country. Only Jericho and Jerusalem do not show any employment in this industry. Another significant employing industry is footwear, and although a little more concentrated, the employment of 27.6% of industrial labour in Hebron, 11.6% in Nablus and 10.4% in Jerusalem again makes this industry an important employer. In both these industries the average size of plants is extremely small, and only in Tulkarim does the average for textiles and knitting exceed six. Here, there are some larger units with some form of factory organisation. Very little else is worthy of comment, except perhaps some manufacture of non-metallic mineral products in Jenin (15.2% of labour force), Ramallah (22.2%) and Hebron (26.9%). This heading covers bricks and cement blocks as well as stone and marble products, so that it is to be expected that there would be a reasonable spread of this activity throughout the country.

TABLE (2.1)

DISTRIBUTION OF MANUFACTURING EMPLOYMENT BY PRODUCT, WEST BANK 1980

(Figures in brackets denote % of total employment of area in that industry)

S.I.C	Product Group	Jenin	Tulkarim	Nablus	Ramallah	Jerusalem	Hebron	Bethlehem	Jericho
311+ 312	Food manufacturing	34(14.8)	42(7.1)	514(27.2)	342(25.0)	110(18.8)	38(1.3)	65(5.3)	32(32)
313	Beverage industries				25(1.8)			12(1.0)	3(3)
314	Tobacco manufactures				20(1.4)	119(20.4)		28(2.3)	
321	Manufacture of textiles	30(13.0)	388(65.4)	568(29.9)	209(15.3)		443(14.7)	210(17.3)	
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel			1(-)		11(1.9)	21(0.7)		
324	Manufacture of footwear except plastic footwear			220(11.6)	15(1.1)	61(10.4)	827(27.6)	1(0.1)	1(1)
331	Manufacture of wood and wood cork products, except furniture	22(9.6)	24(4.0)	97(5.2)	17(1.2)		412(13.7)	49(4.0)	3(3)
332	Manufacture of furniture and fixtures, except primarily of metal	20(8.7)		14(0.7)	112(8.2)	49(8.4)		292(23.9)	22(22)
341	Manufacture of paper and paper products			1(-)	42(3.1)	7(1.2)	23(0.8)	4(0.3)	
342	Printing,publishing & allied industries	4(1.7)		42(2.2)	28(2.0)	28(4.8)	7(0.2)	7(0.6)	1(1)
351	Manufacture of industrial chemicals			23(1.2)	72(5.3)			128(10.5)	
352	Manufacture of other chemical products			67(3.5)	113(8.2)			23(1.9)	
354	Manufacture of miscellaneous products of petroleum and coal					70(12.0)			
355	Manufacture of rubber products					6(1.0)			
361	Manufacture of pottery, china and earthenwear					14(2.4)		144(11.8)	2(2)
362	Manufacture of glass and glass products			16(0.8)			20(0.7)		
369	Manufacture of other non metallic mineral products	35(15.2)	65(11.0)	176(9.3)	304(22.2)	22(3.8)	810(26.9)	84(6.9)	12(12)
372	Non-ferrous metal basic industries						34(1.1)		
381	Manufacture of fabricated metal products except machinery & equipment	74(32.3)	55(9.3)	153(8.1)	71(5.2)	62(10.6)	365(12.1)	142(11.7)	23(23)
382	Manufacture of machinery except electrical	9.(3.9)							
383	Manufacture of electrical machinery, apparatus, appliances & supplies						7(0.2)	17 (1.4)	
390	Other manufacturing industries	2(0.8)	19(3.2)	5(0.3)		25(4.3)		16(1.3)	1(1)
	TOTAL	230(100)	593(100)	1897(100)	1370(100)	584(100)	3007(100)	1222(100)	100(100)

Source: Tables (2.3) to (2.10)

Table (2.2)
Distribution of manufacturing Establishments by location and level of employment in the West Bank

District	Total		Distribution by location and level employment											
			1-4		5-9		10-19		20-49		50+		% of all	
	E.	W.	E.	W.	E.	W.	E.	W.	E.	W.	E.	W.	E.	W.
1) Nablus	373	1897	284	569	55	373	23	296	8	229	3	430	20.4	21.1
2) Jenin	94	230	78	179	14	35	2	16	-	-	-	-	5.2	2.6
3) Tulkarem	104	593	82	158	8	43	4	57	9	255	1	80	5.7	6.6
4) Ramallah	170	1370	81	214	48	287	28	372	10	277	3	220	9.3	15.1
5) Jerusalem	92	584	67	204	18	118	4	48	1	25	2	189	5.1	6.5
6) Hebron	691	3007	472	1347	190	1151	20	263	9	246	-	-	37.8	33.4
7) Bethlehem	260	1222	169	376	58	301	23	184	9	251	1	110	14.1	13.5
8) Jerico	42	100	41	93	1	7	-	-	-	-	-	-	2.4	1.2
Total excluding Gaza	1826	9003	1274	3140	392	2315	104	1236	46	1283	10	1029	100	100
% of total in The level employment			69.8	34.9	21.5	25.7	5.7	13.7	2.5	14.3	0.5	11.4	100	100
Labour average/ Unit	4,93		2.46		5.9		11.9		27.9		102.9			

Source, Tables 23 - 2.10

Table (2.3)

Distribution of Establishment by

Major Groups and Level of Employment

Jenin

Major Group	Name of Major Group	Jenin										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	14	29	1	5	-	-	-	-	-	-	15	34
313	Beverage industries.	-	-	-	-	-	-	-	-	-	-	-	-
314	Tobacco manufactures.	-	-	-	-	-	-	-	-	-	-	-	-
321	Manufacture of textiles.	2	4	2	10	2	16	-	-	-	-	6	30
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	-	-	-	-	-	-	-	-	-	-	-	-
324	Manufacture of footwear except plastic footwear.	-	-	-	-	-	-	-	-	-	-	-	-
331	Manufacture of wood and wood cork products except furniture.	10	22	-	-	-	-	-	-	-	-	10	22
332	Manufacture of furniture and fixtures, except primarily of metal.	9	20	-	-	-	-	-	-	-	-	9	20
341	Manufacture of paper and paper products.	-	-	-	-	-	-	-	-	-	-	-	-
342	Printing, publishing and allied industries.	2	4	-	-	-	-	-	-	-	-	2	4
351	Manufacture of industrial chemicals.	-	-	-	-	-	-	-	-	-	-	-	-
352	Manufacture of other chemical products.	-	-	-	-	-	-	-	-	-	-	-	-
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	-	-	-	-	-	-	-	-	-	-	-	-
362	Manufacture of glass and glass products.	-	-	-	-	-	-	-	-	-	-	-	-
369	Manufacture of other non metallic mineral products.	11	30	1	5	-	-	-	-	-	-	12	35
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	25	59	10	15	-	-	-	-	-	-	35	74
382	Manufacture of machinery except electrical.	3	9	-	-	-	-	-	-	-	-	3	9
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	-	-	-	-	-	-	-	-	-	-
390	Other manufacturing industries.	2	2	-	-	-	-	-	-	-	-	2	2
Total		75	179	14	35	2	16	-	-	-	-	94	224

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.4)

Distribution of Establishment by

Major Groups and Level of Employment

Tulkarim

Major Group	Name of Major Group	Tulkarem										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	14	25	3	17	-	-	-	-	-	-	17	42
313	Beverage industries.	-	-	-	-	-	-	-	-	-	-	-	-
314	Tobacco manufactures.	-	-	-	-	-	-	-	-	-	-	-	-
321	Manufacture of textiles.	-	-	1	6	3	47	9	255	1	80	14	388
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	-	-	-	-	-	-	-	-	-	-	-	-
324	Manufacture of footwear except plastic footwear.	-	-	-	-	-	-	-	-	-	-	-	-
331	Manufacture of wood and wood cork products except furniture.	11	24	-	-	-	-	-	-	-	-	11	24
332	Manufacture of furniture and fixtures, except primarily of metal.	-	-	-	-	-	-	-	-	-	-	-	-
341	Manufacture of paper and paper products.	-	-	-	-	-	-	-	-	-	-	-	-
342	Printing, publishing and allied industries.	-	-	-	-	-	-	-	-	-	-	-	-
351	Manufacture of industrial chemicals.	-	-	-	-	-	-	-	-	-	-	-	-
352	Manufacture of other chemical products.	-	-	-	-	-	-	-	-	-	-	-	-
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	-	-	-	-	-	-	-	-	-	-	-	-
362	Manufacture of glass and glass products.	-	-	-	-	-	-	-	-	-	-	-	-
369	Manufacture of other non metallic mineral products.	17	35	4	20	1	10	-	-	-	-	22	65
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	28	55	-	-	-	-	-	-	-	-	28	55
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, appartus, appliances and supplies.	-	-	-	-	-	-	-	-	-	-	-	-
390	Other manufacturing industries.	12	19	-	-	-	-	-	-	-	-	12	19
Total		82	158	8	43	4	57	9	255	1	80	104	593

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.5)

Distribution of Establishment by

Major Groups and Level of Employment

Nablus

Major Group	Name of Major Group	Nablus										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	44	93	10	61	3	37	3	73	1	250	61	514
313	Beverage industries.	-	-	-	-	-	-	-	-	-	-	-	-
314	Tobacco manufactures.	-	-	-	-	-	-	-	-	-	-	-	-
321	Manufacture of textiles.	56	133	19	141	14	187	1	27	1	80	91	568
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	1	1	-	-	-	-	-	-	-	-	1	1
324	Manufacture of footwear except plastic footwear.	43	81	2	12	-	-	1	27	1	100	47	220
331	Manufacture of wood and wood cork products except furniture.	50	73	3	24	-	-	-	-	-	-	53	97
332	Manufacture of furniture and fixtures, except primarily of metal.	8	14	-	-	-	-	-	-	-	-	8	14
341	Manufacture of paper and paper products.	1	1	-	-	-	-	-	-	-	-	1	1
342	Printing, publishing and allied industries.	6	8	1	6	-	-	1	28	-	-	8	42
351	Manufacture of industrial chemicals.	4	8	1	5	1	10	-	-	-	-	6	23
352	Manufacture of other chemical products.	3	9	4	29	2	29	-	-	-	-	9	67
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	-	-	-	-	-	-	-	-	-	-	-	-
362	Manufacture of glass and glass products.	1	3	-	-	1	13	-	-	-	-	2	16
369	Manufacture of other non metallic mineral products.	18	52	13	82	1	10	1	32	-	-	33	176
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	46	86	2	13	1	10	1	42	-	-	50	153
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	-	-	-	-	-	-	-	-	-	-
390	Other manufacturing industries.	3	5	-	-	-	-	-	-	-	-	3	5
Total		284	569	55	373	23	296	8	229	3	430	373	1397

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.6)

Distribution of Establishment by

Major Groups and Level of Employment

Ramallah

Major Group	Name of Major Group	Ramallah										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	15	45	17	103	4	50	1	24	1	120	38	342
313	Beverage industries.	-	-	1	8	1	17	-	-	-	-	2	25
314	Tobacco manufactures.	1	4	-	-	1	16	-	-	-	-	2	20
321	Manufacture of textiles.	9	18	50	50	7	90	2	51	-	-	26	209
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	-	-	-	-	-	-	-	-	-	-	-	-
324	Manufacture of footwear except plastic footwear.	2	7	1	8	-	-	-	-	-	-	3	15
331	Manufacture of wood and wood cork products except furniture.	7	17	-	-	-	-	-	-	-	-	7	17
332	Manufacture of furniture and fixtures, except primarily of metal.	14	35	4	22	3	55	-	-	-	-	21	112
341	Manufacture of paper and paper products.	1	1	-	-	-	-	1	41	-	-	2	42
342	Printing, publishing and allied industries.	2	7	1	5	1	16	-	-	-	-	4	28
351	Manufacture of industrial chemicals.	2	5	-	-	1	17	-	-	1	50	4	72
352	Manufacture of other chemical products.	2	5	-	-	1	10	3	98	-	-	6	113
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	-	-	-	-	-	-	-	-	-	-	-	-
362	Manufacture of glass and glass products.	-	-	-	-	-	-	-	-	-	-	-	-
369	Manufacture of other non metallic mineral products.	9	26	11	64	9	101	3	63	1	50	33	304
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	17	44	5	27	-	-	-	-	-	-	22	71
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	-	-	-	-	-	-	-	-	-	-
390	Other manufacturing industries.	-	-	-	-	-	-	-	-	-	-	-	-
	Total	81	214	43	287	28	372	10	277	3	220	170	1370

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.7)

Distribution of Establishment by

Major Groups and Level of Employment

Jerusalem

Major Group	Name of Major Group	Jerusalem										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	17	55	5	30	2	25	-	-	-	-	24	110
313	Beverage industries.	-	-	-	-	-	-	-	-	-	-	-	-
314	Tobacco manufactures.	-	-	-	-	-	-	-	-	1	119	1	119
321	Manufacture of textiles.	-	-	-	-	-	-	-	-	-	-	-	-
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	1	3	1	8	-	-	-	-	-	-	2	11
324	Manufacture of footwear except plastic footwear.	10	30	4	31	-	-	-	-	-	-	14	61
331	Manufacture of wood and wood cork products except furniture.	-	-	-	-	-	-	-	-	-	-	-	-
332	Manufacture of furniture and fixtures, except primarily of metal.	14	44	1	5	-	-	-	-	-	-	15	49
341	Manufacture of paper and paper products.	-	-	1	7	-	-	-	-	-	-	1	7
342	Printing, publishing and allied industries.	2	6	2	11	1	11	-	-	-	-	5	28
351	Manufacture of industrial chemicals.	-	-	-	-	-	-	-	-	-	-	-	-
352	Manufacture of other chemical products.	-	-	-	-	-	-	-	-	-	-	-	-
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	1	70	1	70
355	Manufacture of rubber products.	-	-	1	6	-	-	-	-	-	-	1	6
361	Manufacture of pottery, China and earthenwear.	-	-	2	14	-	-	-	-	-	-	2	14
362	Manufacture of glass and glass products.	-	-	-	-	-	-	-	-	-	-	-	-
369	Manufacture of other non metallic mineral products.	2	4	1	6	1	12	-	-	-	-	4	22
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	21	62	-	-	-	-	-	-	-	-	21	62
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	-	-	-	-	-	-	-	-	-	-
390	Other manufacturing industries.	-	-	-	-	-	-	1	25	-	-	1	25
Total		67	204	18	118	4	48	1	25	2	189	92	[illegible]

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.8)

Distribution of Establishment by

Major Groups and Level of Employment

Hebron

Major Group	Name of Major Group	Hebron										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	10	28	2	10	-	-	-	-	-	-	12	38
313	Beverage industries.	-	-	-	-	-	-	-	-	-	-	-	-
314	Tobacco manufactures.	-	-	-	-	-	-	-	-	-	-	-	-
321	Manufacture of textiles.	42	99	18	126	8	70	5	148	-	-	73	443
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	2	6	3	15	-	-	-	-	-	-	5	21
324	Manufacture of footwear except plastic footwear.	105	323	73	421	5	61	1	22	-	-	184	827
331	Manufacture of wood and wood cork products except furniture.	101	255	19	118	3	39	-	-	-	-	123	412
332	Manufacture of furniture and fixtures, except primarily of metal.	-	-	-	-	-	-	-	-	-	-	-	-
341	Manufacture of paper and paper products.	5	14	1	9	-	-	-	-	-	-	6	23
342	Printing, publishing and allied industries.	3	7	-	-	-	-	-	-	-	-	3	7
351	Manufacture of industrial chemicals.	-	-	-	-	-	-	-	-	-	-	-	-
352	Manufacture of other chemical products.	-	-	-	-	-	-	-	-	-	-	-	-
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	-	-	-	-	-	-	-	-	-	-	-	-
362	Manufacture of glass and glass products.	6	20	-	-	-	-	-	-	-	-	6	20
369	Manufacture of other non metallic mineral products.	84	316	62	383	2	69	2	42	-	-	150	310
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	1	34
381	Manufacture of fabricated metal products except machinery & equipment.	113	277	11	64	2	24	-	-	-	-	125	365
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	1	2	1	5	-	-	-	-	-	-	2	7
390	Other manufacturing industries.	-	-	-	-	-	-	-	-	-	-	-	-
	Total	472	1347	190	1151	22	263	8	246	-	-	[illegible]	[illegible]

Source, Industrial & Economic Trends in the West Bank & Gaza Strip. ECWA 1982.

Table (2.9)

Distribution of Establishment by Major Groups and Level of Employment

Bethlehem

Major Group	Name of Major Group	Bethlehem										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	11	25	5	30	1	10	-	-	-	-	17	65
313	Beverage industries.	-	-	2	12	-	-	-	-	-	-	2	12
314	Tobacco manufactures.	-	-	-	-	-	-	1	28	-	-	1	28
321	Manufacture of textiles.	6	20	17	48	9	22	4	120	-	-	36	210
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	-	-	-	-	-	-	-	-	-	-	-	-
324	Manufacture of footwear except plastic footwear.	1	1	-	-	-	-	-	-	-	-	1	1
331	Manufacture of wood and wood cork products except furniture.	17	33	3	16	-	-	-	-	-	-	20	49
332	Manufacture of furniture and fixtures, except primarily of metal.	43	102	10	62	6	73	2	55	-	-	61	292
341	Manufacture of paper and paper products.	1	4	-	-	-	-	-	-	-	-	1	4
342	Printing, publishing and allied industries.	2	7	-	-	-	-	-	-	-	-	2	7
351	Manufacture of industrial chemicals.	5	11	1	7	-	-	-	-	-	-	7	128
352	Manufacture of other chemical products.	-	-	-	-	-	-	-	-	-	-	1	23
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-	-	-	-	-	-	-	-	-
355	Manufacture of rubber products.	-	-	-	-	-	-	-	-	-	-	-	-
361	Manufacture of pottery, China and earthenwear.	21	40	10	64	4	40	-	-	-	-	35	144
362	Manufacture of glass and glass products.	-	-	-	-	-	-	-	-	-	-	-	-
369	Manufacture of other non metallic mineral products.	9	27	3	21	1	11	1	25	-	-	14	84
372	Non-ferrous metal basic industries.	-	-	-	-	-	-	-	-	-	-	-	-
381	Manufacture of fabricated metal products except machinery & equipment.	46	56	5	28	1	18	-	-	-	-	52	142
382	Manufacture of machinery except electrical.	-	-	-	-	-	-	-	-	-	-	-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	1	7	1	10	-	-	-	-	2	17
390	Other manufacturing industries.	7	10	1	6	-	-	-	-	-	-	8	16
	Total	169	376	58	301	23	184	8	251	1	110	259	1222

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

Table (2.10)

Distribution of Establishment by

Major Groups and Level of Employment

Jericho

Major Group	Name of Major Group	Jericho										Total	
		1-4		5-9		10-19		20-49		50+			
		Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers	Establishment	Workers
311+312	Food manufacturing.	10	25	1	7							11	32
313	Beverage industries.	1	3	-	-							1	3
314	Tobacco manufactures.	-	-	-	-							-	-
321	Manufacture of textiles.	-	-	-	-							-	-
323	Manufacture of leather and products of leather, substitutes and fur except footwear and wearing apparel.	-	-	-	-							-	-
324	Manufacture of footwear except plastic footwear.	1	1	-	-							1	1
331	Manufacture of wood and wood cork products except furniture.	1	3	-	-							1	3
332	Manufacture of furniture and fixtures, except primarily of metal.	10	22	-	-							10	22
341	Manufacture of paper and paper products.	-	-	-	-							-	-
342	Printing, publishing and allied industries.	1	1	-	-							1	1
351	Manufacture of industrial chemicals.	-	-	-	-							-	-
352	Manufacture of other chemical products.	-	-	-	-							-	-
354	Manufacture of miscellaneous products of petroleum and coal.	-	-	-	-							-	-
355	Manufacture of rubber products.	-	-	-	-							-	-
361	Manufacture of pottery, China and earthenwear.	1	2	-	-							-	-
362	Manufacture of glass and glass products.	-	-	-	-							1	2
369	Manufacture of other non metallic mineral products.	4	12	-	-							4	12
372	Non-ferrous metal basic industries.	-	-	-	-							-	-
381	Manufacture of fabricated metal products except machinery & equipment.	11	23	-	-							11	23
382	Manufacture of machinery except electrical.	-	-	-	-							-	-
383	Manufacture of electrical machinery, apparatus, appliances and supplies.	-	-	-	-							-	-
390	Other manufacturing industries.	1	1	-	-							1	1
	Total	41	93	1	7							42	100

Source, Industrial & Economic Trends in the West Bank and Gaza Strip. ECWA 1982.

CHAPTER 3

3.0 The legal and fiscal framework of industrial development

3.1.0 Background

3.1.1 The official Israeli position on the status of the West Bank was given by the State Attorney for the Israeli Government soon after occupation. "As the Jordanian occupation of the area in 1950 was never universally recognised, the question of sovereignty is undecided, and Israel considered itself as administrator of the area until its status is decided by negotiation." In view of this, it was not considered that the various Geneva Conventions governing occupation of enemy territory applied, and that Israel had the role of administrator and not occupier of the territory.

3.1.2 In military Proclamation 2 the Area Commander announed that all laws in force at the time of the occupation shall continue to be in force, and several pronouncements by the Israeli Government and the High Court of Justice have confirmed this. At the same time, "the need to make amendments for humanitarian and security considerations and proper and effective administration" was recognised, and power given to the Israeli administrators to do this.

3.1.3 These measures have allowed the maintenance of a fiction since occupation under which the annexation of the West Bank (and similarly the Gaza Strip) has taken place in all but name, and the incorporation of the Occupied Territories into the economic system of Israel has taken place without allowing the population access to the political process by which their economic destiny is controlled. This is a matter of wider significance than that addressed by this project, but the effect that it has, and the way in which Israel has administered its assumed power, both directly and through its interpretation and administration of Jordanian Law, is what is of direct concern to us here.

3.1.4 Within one month after the Six Day War of 1967 the judicial system in the Occupied Territories was restructured, and the Court of Appeal in Jerusalem was abolished. A new system was established and in 1971 a Court of Appeal, Courts of First Instance and Magistrates Courts were established in a former vegetable market in Ramallah, to cover all or substantial areas of the West Bank. The administration of law is effectively under the control of the Area Commander. It is through his office that amendments are made, and by him appointments made of judges, presidents, and members of the Military Courts through which justice is administered (see Military Order 378, Article 4 and 50). No appeal against decisions by these courts is allowed (ibid., Article 43).

3.1.5 While the Military Courts as described here are primarily concerned with Criminal Law, their administration, and the system of justice which such courts represent, colour the whole of the relationships of individuals and organisations in the Occupied Territories. Many powers with no relevance to security were removed from the jurisdiction of the ordinary courts and concentrated in the hands of the Area Commander and the military. With the power of appointment to judicial positions, and the power of veto or alteration over so many judicial decisions, the Area Commander, and through him the military and eventually the Israeli Government, have assumed effective control over all aspects of life in which the Law is involved, including commerce and industry.

3.1.6 A typical path to the assumption of power by the Area Commander is an order which transfers powers and privileges "granted by these (former) laws to the Jordanian Government, minister, or department, to a person who shall be appointed by me (the Area Commander)." Under such orders, the "Officer in Charge of Judiciary" (an officer of the Israeli Army who has replaced the Minister of Justice) had assumed the following powers up to 1979:

(1) The post of Registrar of Lands and the Director of the Survey Department (Military Order 450);

(2) The post of Registrar of Companies (Military Orders 267 and 362);

(3) The post of Registrar of Trademarks (Military Order 379);

(4) The powers of the Minister of Commerce (Military Order 379);

(5) The post of Registrar of Tradenames (Military Order 795);

(6) The post of Registrar of Patents (Military Order 555);

(7) The power of settlement of disputes over land (Military Order 291);

(8) The power to approve all land transactions. Without such approval no transaction is valid (Military Order 25).

3.1.7 As well as the assumption of such powers by the Area Commander or his nominees, further power on matters formerly dealt with by the Courts have been transferred to an "Objection Committee" drawn from a panel of reserve army officers (Military Order 172). The powers transferred have been continually expanded since the original order (dated 22.11.1967). They now include:

(1) Decisions to appropriate land and consideration of any challenges to them. Also the power to fix levels of compensation;

(2) Assessments made by the Income Tax Officer;

(3) Decisions on Pension Rights of Civil Servants and the Police;

(4) Decisions on driving licences and appeals;

(5) Appeals on assessment by Customs and Excise Officers and on valuation of outputs for taxation purposes (very important in times of high inflation);

(6) Objections on decisions of the Registrar of Companies;

(7) Decisions by the Higher Council for Town Planning;

(8) Decisions by Custodian of Absentee Property.

3.1.8 This committee is not bound by rules of evidence and procedure, and may on its own decision meet in camera. It is not bound by precedence, and has no fixed secretariat. Most important of all, its decisions have no legal weight, and the Area Commander is not bound to order the adoption of their decisions, in which cases the acts or orders objected to continue in force.

3.1.9 We have only instanced some of the areas in which this Committee impinges on commercial life, but its ramifications through a whole area of administration activity, which under a show of legality and process of law, deprive the citizens of their legal rights and remedies.

3.2.0 Access to legal redress

3.2.1 As well as the usurpation of much of the power of the Courts by the military authorities, there is also the practical discrimination against the residents of the Occupied Territories. To serve a legal process requires delivery in person by the Court's process server, yet facilities are not provided for this. Consequently it is difficult, if not impossible, when the process is to be served on an Israeli in Israel or in one of the settlements. (In some cases, delivery is permitted by registered letter, but a refusal to accept it is common and is not an offence).

3.2.2 Where the execution of a judgement against a resident of the Occupied Territories is involved, however, the process is very different. A special executive department was set up for this purpose under Military Order 348, and no appeal against any decisions of this department are allowed to the Courts. Again, such appeals go only to the Objection Committee appointed by the Area Commander, with all the shortfalls already referred to.

3.3.0 Effects

3.3.1 The background information given so far indicates how the legal system and its administration has been regulated and altered in favour of the occupying powers, and has given much power to the military. Further, we have shown how the exercise of that power cannot be challenged by any of the accepted methods through a constitutionally based legal system. The effects of this, and the way in which that power had militated against economic and social development, have many ramifications in areas of commerce and industry, even when not directly applicable to them. Some of the areas affected, and the consequences, are here discussed:

(a) Property rights

Although land is at the root of most disputes on property, the power granted to the Custodian of Absentee Property, under Military Order 58, is not confined to land, nor even to immovables. In fact, it is not even confined to absentees (defined as anyone who leaves the Areas on, before or after 7th June 1967), in that no transaction in any immovable property can take place without the Custodian's approval. Such power makes any form of sustained development, at least on an indigenous basis, virtually impossible. Not only can a person who leaves the area be deemed "absent" no matter what his purpose of leaving may be but a person remaining at home cannot undertake sales, or mergers, which might entail land or buildings without the approval of the Custodian.

3.3.2 By a number of military orders, the recourse to the courts on land disputes (and on other property) was abolished, and such powers of appeal which remain can only be exercised through appeals committees of the type referred to previously. The effect has been to put the proof of ownership, for example of land, on the owner, and land not actually registered as owned in practice has become Government land. It has been estimated that up to 30% of the land of the West Bank had become "Government owned" by this and other means up to 1979, and the process has continued since. Although much of this land should be in the "safe custody" of the custodian, acting on behalf of absentees, it is in practice all at the Israeli Government's disposal. Much of it has already been devoted to settlement by Israelis. Without land, and reasonable access to it for anticipated expansion, it is hardly to be expected that industrial development on a planned scale should take place, and one of the major requirements of a sovereign Palestinian State will be to make suitable land available for development at an early date to allow planned and major industrialisation to commence.

3.4.0 Access and rights to indigenous development

3.4.1 These are increasingly recognised as basic human rights, and while it may not be expected that an occupying power should foster such rights it may certainly be argued that they should not obstruct them. In the case of the Occupied Territories, Israel does not hold itself to be occupier but an administrator, and it should be expected that the rights of the Palestinians to indigenous development, and free access to their resources, will be safeguarded and enhanced by the Israeli administration, irrespective of the rights or wrongs of the occupation itself.

3.4.2 The reality is very different. The changes carried out by the Israeli administration have been designed:

(1) To preserve Israel's security, in the economic no less than the military fields;

(2) To acquire land for settlement and to control water use for the benefit of Israel and against the interests of Palestinians;

(3) To develop economic links, both through trade and labour use, between Israel and the Occupied Territories, which benefit Israel and stifle indigenous Palestinian development;

(4) To prevent the development of institutions which could form the basis of an independent Palestinian State.

3.4.3 These aims are often interrelated, in that the control of water and restriction on well digging by Palestinians force the people off the land and encourages them to seek work in Israel, presently the only alternative. At the same time, the free access to water by Israeli settlers encourages further settlement by them in the Occupied Territories, while the Palestinians become dependent on the Israeli economy for both industrial and agricultural requirements. While the development of existing agriculture is hindered by the restriction on water exploitation, the possibility of any meaningful industrial development in the absence of a guaranteed supply of water is nil, and this is a matter which must receive urgent and immediate attention before any industrialisation can commence.

3.4.4 There is a more immediate control on industrial development, however, and that is through the import licensing of industrial machinery. Each item must be authorised by the "responsible officer" in the military Government. This control is undoubtedly used to deny development rights to Palestinians and increase their reliance on Israel. An example, quoted in "West Bank and the Rule of Law"* was the long procrastination over permission to import generators for the Nablus and Hebron electricity companies while at the same time applying pressure to force them to integrate their capacity and distribution systems with the Israeli grid. Obviously, under conditions which would pertain in an independent Palestine such restriction would not apply, but the artificial situation pertaining at the moment should not be seen as a true base for future growth, nor is it indicative of the direction which growth would take under unrestrained conditions.

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* (By Shohadah R. and Kuttab J., International Commission of Jurists, 1980)

3.4.5 An important legal impediment has been the control on the development of co-operatives, and the severing of links of the Co-operative Movement in the Occupied Territories with outside bodies. Removal of links with the Jordan Co-operative Council Union has restricted access to finance and has destroyed opportunities for development of joint production and mutual marketing. Only one co-operative, for a regional electrification scheme, had been set up between 1967 and 1980, whereas by the beginning of the latter year there were 43 newly proposed co-operatives awaiting registration, some of them having applied several years previously. Also, occasions are quoted when not only applications for funds for development projects by existing Co-operatives are obstructed by the authorities, but when funds are actually made available they have not been permitted to receive them.

3.5.0 Freedom of movement

3.5.1 For an integrated industrial development to become possible freedom of movement of both people and goods must be established a priori. Yet Military Order No. 3 gives the military the power to declare closed areas requiring a permit for anyone to enter or leave it. This power has been used to declare the West Bank a closed area, and anyone leaving the West Bank must have a permit to return or re-entry permission will not be granted. (This not withstanding that the person may be a Palestinian whose family home for generations has been on the West Bank.) Conditions are often placed upon the issue of an exit permit, controlling activities outside the Occupied Territories, or sometimes refusing re-entry for a period of several months. This often applied to young people, allegedly to encourage their remaining abroad and making their stay permanent.

3.5.2 As well as travel into and out of the Occupied Territories, areas within them can also be declared closed at any time, requiring permits for entry or leaving. Not only is this undertaken for military purposes, but also is often undertaken as a prelude to establishment of settlements.

3.5.3 Not only does Military Order No. 3 permit the creation of "closed areas", but it also permits the restriction, closure, or regulation of use of any or all roads in any area by the Military Commander. This is a frequently used power, and usually takes the form of road blocks or checkpoints, at which long delays are experienced, documents and goods examined and vehicles searched.

3.6.0 The identity card

3.6.1 This has come to be the symbol of the humiliation of the Palestinians in the Occupied Territories. Without it, he or she cannot move, for fear of being asked to produce it. Yet, if found in conditions regarded by the occupying authorities as suspicious, the holder may find the card confiscated. Even though this confiscation is often illegal, the holder is subjected to inconvenience in getting another and meantime is in contravention of law if travelling without one.

3.6.2 Apart from the human degradation which an identity card brings to anyone required to carry it in that person's own land, the restriction on movement which is implied by it is completely prohibitive of any industrial development which requires far more mobility of labour than which would be normal in a completely agricultural society.

3.7.0 Licensing, tolls and duties

3.7.1 Although the fiction has been maintained that the laws applicable in the Occupied Territories prior to occupation still apply, references to "the Government" in such laws have been interpreted as meaning the Israeli Government. Thus, for example, the mining laws applicable to the West Bank are still primarily the pre-1967 Jordanian laws, but interpreted according to Israeli principles. Under such laws, all mineral resources are the property of "the Government". Israel has assumed the role of Government, and thus not only does it control the exploitation of these resources through the Area Commander, and issue licenses for such purposes, but all royalties are now payable to the Israeli Government. These now stand at 50-65 U.S. cents per ton on stone and clays extracted on the West Bank.

3.7.2 The ability to extract basic materials for building is crucial for industrial development, yet permission is sometimes witheld for long periods. For example, in November 1982 the issuing of licences for quarrying was suspended, and up to date (June 1983) had not been restarted. As such licences are of a short duration, this type of suspension quickly stifles output.

3.7.3 Building licences, especially for factory development, are closely regulated. This is not unusual in any country, but the fees for such a licence can be quite exhorbitant, and the process lengthy. Not only are the original Jordanian laws being applied, but Israeli requirements, such as those applying to pollution and location, are also being enforced, often it seems in a restrictive manner, forcing would-be developments into unfavourable locations, distant from population centres with the restrictions on travel already alluded to, this means that no industrial development of any size requiring a large labour force could possibly hope to survive.

3.7.4 Adding to these restrictions those on the use of water and the prohibition on the sinking of new wells, the prospects for any industrial development under existing conditions must be nil. If new industry is to be banned from all sites of reasonably developed and existing infrastructure, but is precluded from exploiting a cardinally important infrastructural requirement, water, on a new site, then this alone must preclude such development ab initio.

3.8.0 Taxes and customs duties

3.8.1 Income tax of 25% and a social service tax of 12.5%, imposed by Jordanian Law on the West Bank, on net profits, is still in force. Additionally, value added tax was introduced on all output in 1976 of 8%, raised to 12% in 1977, and to 15% in 1981. Other taxes have been imposed; for example, taxes levied on inventories, and special taxes on certain items such as cigarettes.

3.8.2 The imposition of taxes, and their regulation by decree rather than through a democratic political process, besides being basically unacceptable from the point of view of human rights, has important consequences for development. The regulation of these taxes is not undertaken to benefit the economy and society on which they are levied. For example, the inflation in Israel is due to causes which have little relevance to the Occupied Territories, yet their economies have to form part of the balance weight of the Israeli economy, and as such are stringently regulated without reference to the benefit of the people of the Occupied Territories.

3.8.3 The imposition of these taxes are also influenced by inflation. Holding stocks for a short while in the current inflationary conditions can render "profit" a meaningless term. Also, the taxes payable can be greatly influenced by time of sale. consequently, the values used for tax assessment are often arbitrarily decided. Yet, again there is no machinery within an established judicial system to which appeals may be addressed. Instead, it is to the Objection Committee that complaints should be made, and where the matter will be dealt with by military personnel as explained earlier. This had led to widespread attempts at evasion, as well as genuine reluctance to keep stringent records (a practice not often adhered to by small traders in any society anyway).

3.8.4 The result has been that Israeli inspectors have been given powers to inspect premises, and delivery loads, to demand invoices and records of loads in transit, and to impose arbitrary valuations on profits and sales for tax purposes. This has now become standard practice.

3.8.5 Customs duties on imported machinery and goods are charged indirectly in that most industrial undertakings are not allowed to import their requirements directly, but can only do so via Israeli importers and Israeli agents for foreign firms. The actual customs duties are difficult to identify, therefore, as they are contained in the final price. Meanwhile, the purchaser has to pay value added tax on the transaction with the importer. In addition to the difficulty of identifying the actual proportion of price which constitutes customs duties, the constant changing of the duties, not only due to inflation but to economic policy, adds to the uncertainty which would-be importers face. A currently accepted rule of thumb is that customs duties are levied at 100-150% on imported consumer goods, but that non-consumer goods are lower than this level, and depend on their type and the industry for which they are destined.

3.8.6 In 1981, when duties were lower, the Israeli Customs Regulations included an example for calculation of prices and duties:

			Taxes
1.	Import value	100	40
2.	Customs duty	40	
		140	
3.	Surcharge 10% on 1	10	10
		150	
4.	Mark-up 50%	75	
	Wholesale price	225	
5.	Purchase tax 25%	56	56
		281	
6.	VAT on taxes and 1	25	25
		306	131

i.e. 43% of final sale price is taxation

It is not known whether the 40% duty was representative of the time, but it is maintained by observers closely affected that the whole tax spectrum on imports and sales generally has been made much more heavy during the two years since that example was produced.

3.8.7 The system of bonding is also widely practiced by the Israeli Authorities, and the cost of this falls on the importers and ultimately the consumer. For example, vegetable oil imported for the vegetable oil industry in Nablus is imported through Jordan and over the bridges. The oil cannot be taken directly to Nablus. The company has had to provide bonded warehousing close to a bridge to store the oil while it is being cleared. Afterwards it is transported to the company's other warehouse at Nablus, thus incurring extra costs through apparently unecessary duplication.

CHAPTER 4

4.0 Market potential of industries in independent Palestine

4.1.1 The market for the output of any economic sector can be divided into two main divisions. Home and export. The present home market for industrial output we have shown to be dominated by the products of Israeli industry or goods imported via Israel. Whichever of these applies to a particular good, much of the value added which is included in the price and which could be retained in Palestine if the goods were produced at home is lost to outside producers or merchants. Even goods imported via Israel would have a greater value added if imported through a Palestinian port, or in bond to a Palestinian market through a foreign port, than is at present the case. This is one of the problems which would make any measurement of comparative advantage based upon current prices misleading. However, we do know that the home market has been losing out substantially to imports of industrial goods, especially those produced in Israel, over recent years.

4.1.2 Table (4.1), shows the level of imports and exports of the Occupied Territories (excluding East Jerusalem) for 1979-80-81. The level of imports is around twice that of exports in the three years shown, and industrial products are between 86% and 87% of total imports in each of those years. Of industrial imports, up to 90% of each year's total was imported from Israel. The export of industrial products has been a smaller proportion of total exports, being about 65.70% of total. this in itself is not significant, in that countries following normal rules of comparative advantage may be expected to import more from one sector than it exports and vice-versa. However, much of this report is devoted to the ways in which comparative advantage has been prevented from operating in relationships between the Occupied Territories and the rest of the world. Given normal development possibilities it is reasonably assumed that much of their industrial products now imported would be produced at home, especially those goods imported from Israel.

4.1.3 If we look at total disposable income for the same three years, we obtain the following:

TABLE (4.2)

DISPOSABLE PRIVATE INCOME : 1979-1981

GAZA STRIP AND WEST BANK, TOTALS (in Shekels, million)

	1979	1980	1981
G.D.P. at Factor Cost	2969.4	7529.7	16451.5
Transfers from Central and Local Government	26.5	60.9	159.9
Less Income Tax	-135.1	-304.6	-749.9
Gross Disposable Private income from domestic sources	2860.8	7286.0	15861.5
Transfers from abroad	201.8	518.3	1222.8
Total Disposable Private Income	3062.6	7804.3	17084.3

SOURCE: Israeli Statistical Abstract 1982.

NOTE: These figures do not make explicit the income from employment in Israel.

4.1.4 The value of imported goods during each of the three years shown in Table (4.1) is equal to around 48% of disposable private income, and some 75% of imports consist of imported industrial goods from Israel. If home production was increased to replace these, it would represent an increase of 37% of GDP at factor cost. At the present time, the contribution to GDP of the industrial sector in the Occupied Territories is about 7.8%, so that an increase of 37% of total GDP, all contributed by the industrial sector would imply a 4.75 fold increase in the size of the sector. This would see the contribution of the industrial sector increased to 33% of the new GDP. There would, of course, also be a reduction in exports to Israel which would offset some of this, and it would not be realistic to assume that all those industrial products imported from Israel could be replaced by home production. If Palestine ceased to trade with Israel, some of the present import demand would be switched to other sources, especially for those "imports" from Israel which are in fact imports from countries other than Israel but channelled through Israeli importers and agents. Nevertheless, there must be appreciable opportunities for import substitution and consequent development in the industrial sector.

4.1.5 What, then, would be a useful scenario to adopt? If we bear in mind that at present there is a distinct deficit in the balance of trade between the Occupied Territories and the rest of the world, then a transfer of demand from Israeli goods to other goods from other countries will do nothing to alleviate that problem. Remittances from abroad are a substantial contributor to GNP. We note above how transfers from aborad are an important part of disposable income Table (4.3) but there is also a large contribution to income provided by migrant labour working in Israel but living in the Occupied Territories. In 1977 this contribution was as shown in Table (4.3).

4.1.6 There will clearly be a substantial loss in remittances as exiles return, and an appreciable loss in total GNP if labour no longer crosses into Israel to take up employment. While we have no figures available on comparable years, examination of data elsewhere * would indicate that about 3/5 of total remittances and wages from Israel (Column 5 Table (4.3)) consist of wages earned in employment in Israel, and 2/5 ordinary remittances. It could be argued that with a significant return of migrants and cessation of movement into Israel to work, then remittances would fall to about 1/2 and wages from Israel would be nil. There would also be some offset by capital introduced by returning migrants. The transfer of demand from Israeli goods to other foreign goods cannot, therefore, be seen in isolation, but as part of a wider problem of the balance of payments of the future independent Palestine.

4.1.7. For a reasonable hypothesis, we would estimate that at least a half of the goods imported from Israel are items which would normally be produced in a country at the state of development of Palestine, and at its current rate of development. The latter is as important as the former, for with little development taking place the demand for capital goods is low, and imports contain a greater proportion than usual of consumption goods with much smaller technological input. Even if one-half of goods formerly imported from Israel were to be produced internally, this would transform the industrial sector. It would imply an 18.5% increase in GDP, and added to the original sectoral contribution of 7.8%, would give a new sectoral contribution of $\frac{18.5 + 7.8}{118.5}$ or 22.2%.

4.1.8 This would give a much more balanced economy, and we contend it is the sort of level that would have been reached by a Palestine which, if left to independent economic forces, would have followed a normal growth path. In 1979, Israel's Manufacturing and Mining and Quarrying Sectors contributed 21.7% of GDP, while the two sectors for Jordan contributed 18.4%. As the GDP per capita of the Occupied Territories currently lies somewhere between the two, and would still do so even after the addition of the increase in industrial output, we feel our contention is supported by the surrounding facts. Consequently, the severing of the ties between the Occupied Territories and Israel will create a very heavy increase in demand for manufactured goods. The removal of restrictions on home output, at the same time as the cancellation of the preferential treatment afforded to Israeli enterprises in selling to the Occupied Territories, will create great opportunities for industrial expansion.

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* See Sadler and Abu Kishk, Palestine. "Options for Development", UNCTAD, 1982.

4.1.9 The transfer of demand from Israeli goods to home produced goods, however, will only partly offset the problems created, as in addition to the loss of wages earned in Israel and the expected fall in remittances, there will be a loss in exports to Israel, of which industrial products made up 74% in 1980. Industrial exports to Israel in that year were equal to 27% in value of the industrial imports from Israel, so there must be considerable effort expended to offset losses, here also. Nevertheless, the severing of the bonds between Israel and Palestine must be regarded as an important factor favouring industrialisation in Palestine by the creation of a significant opportunity to exploit the gaps it will immediately create in the home market.

4.2.0 Growth in export markets

4.2.1 The freeing of the Palestinian economy from ties with Israel will also create opportunities for exports. The current agricultural base of the economy of the Occupied Territories might seem to encourage concentration on agricultural exports, and initially this may be desirable, especially as a means of establishing agriculture on an organised basis and accumulating investment capital in that sector to provide for the heavy increases in demand which could be expected as exiles return. However, the long-term sustained growth of the economy will inevitably require the development of an industrial base, and to a substantial degree this will require a significant export component, due to the shortage of many of those natural resources, including energy, on which industrialisation will depend.

4.2.2 We will examine the consequences later in the paper, but we could ask immediately, "what type of expansion are we really envisaging?" In the current state of world trade, any new intrusion into the world market would be fraught with difficulty, but in more normal times Palestine could expect to find areas which it could exploit for a number of reasons:

(1) Many of the Palestinians in exile are now in business involving import and export, finance and commerce. Their expertise, and their existing networks, should be available to an independent Palestine;

(2) The fund of goodwill available to Palestine throughout the world will give the economy a favourable start. Although the Palestinians will expect to earn their way in the world such goodwill will at least enable them to prove their ability to do so;

(3) The Arab world, of which Palestine is an important part, is a very virile market, and in spite of the world recession, still contains many elements of dynamic growth. Palestine could expect to receive favoured treatment in this market, especially as an exporter, and also as an area for investment for the production of consumer goods for the Arab world;

(4) The establishment of large industries now require either the availability of a large pool of suitable labour or a rapid influx of migrants. Examples abound of large developments, especially using mass production techniques taking place in excess of mass immigration. Palestine could be just such a home for suitable industries to supply the Arab world, especially the oil states of the Arabian Gulf. Development of heavy industry in the latter is already putting strain upon local populations, and immigrants outnumber nationals in many instances. A home for large manufacturing assembly

industries, using skilled and semi-skilled Palestinian labour and Arab capital, with access, perhaps favoured, to Arab markets, would be a real possibility and make good economic sense, both for investor nations and Palestine.

4.2.3 An analysis of the trade of the Arab countries is included in Tables (4.4) to (4.8). 1978 was the latest year for which full trade statistics were available to us, and although the round of oil price increases of that year increased the income of the oil states to a marked degree, events since then have depressed world markets, and a fall off in both oil prices and oil demand have also affected the markets for goods in the petroleum exporting countries. 1978, therefore is a reasonable year on which to base an analysis for our purpose.

4.2.4 From Table (4.4) it can be seen that of a total of imports into the Arab countries of $60,464 million in value, $42,209 million was imported into the petroleum exporting Arab States. However, of the former figure, only $3,781 million (6.3%) came from Arab countries, and only $820 million (1.4%) from the non-petroleum exporting Arab States. As far as the imports of the petroleum exporting Arab States were concerned, only $523 million of a total of $42,209 million (only 1.2%) came from their non-petroleum exporting Arab fellows. Further, Table (4.5) shows that of this total, $307 million represents agricultural imports. While there may be considerable scope for increasing agricultural exports of Palestine to these countries, the point concerning us in this report is that only $216 million of a total of $36,065 million (0.6%) of non-agricultural imports of the Arab petroleum exporting States was supplied by the other Arab States. By contrast, if we look at the figures for Europe, 64% of the petroluem exporters total imports, and 68% of their non-agricultural imports, were from Europe. When exports of America and other industrial countries are included, (not shown in tables) then it seems obvious that the overwhelming proportion of non-agricultural imports of these countries are from the "traditional" industrial countries.

4.2.5 Obviously, with the rapid development which petroleum exports have brought to the exporting countries there has been much demand for capital goods, and sophisticated, high technology types of durables which might not easily be satisfied from the non-industrial, or "lower technology" states. But even when the import figures are broken down into greater detail, as in Table (4.7) and (4.8) it would seem that there must be some room for improvement in the share of the non-oil exporting Arab States. Processed materials and simple manufacturing take up over 12% of total trade, and miscellaneous manufacturing a further 9.5%, a total of $9,110 million. Even if the whole of the non-oil exporting Arab States' exports to their fellow oil exporters were included in these categories, there is still much room for improvement in the meagre total of $216 million, and Palestine should be well placed to exploit this.

4.2.6 Due to the smallness of the existing industrial structure and its confinement largely to local markets, there may be a tendency to overlook it in the attempt to wrestle with the larger question of restructuring and rapid growth requirements of the early growth period. However, the many small indigenous firms already in existence will find their prospects enhanced also, especially when the competition with Israeli goods, whose manufacture is subsidised and otherwise aided by the Israeli Government, is removed.

4.3.0 Other points

4.3.1 During the survey of industries carried out as part of this project, some points were suggested which should be borne in mind:

(a) The confinement to the local market, in fact usually to either the West Bank or the Gaza Strip, is both cause and effect of the atomisation of production. For example, small factories making agricultural tools have reduced in size and scope as labour has left the land, and they have no alternative markets except in Israel, where they market against very adverse competition;

(b) Some small indigenously-based industries, such as olive wood products, do export, but there is a great need for organised marketing and for more market research;

(c) Many small industries, due to lack of marketing expertise, and lack of opportunity, respond only to local requirements (tin smithing, bricks, many plastic goods producers). The product is not then standardised, quality is diverse, and this makes marketing on a wide basis impossible;

(d) Many industries are starved of imported inputs, and even find difficulty in purchasing from other internal areas due to transport difficulties. These problems inhibit any expansion which might otherwise have been possible.

The removal of these impediments will enhance the prospects of these industries provided that opportunities for sophisticated marketing are accepted. As well as actual contact with wider markets, the opportunity must be taken to rationalise production, to pay attention to standardised quality, to develop a pricing policy, to sophisticate packaging, both from the advertising and product protection point of view, and to develop means of distribution.

TABLE (4.1)

BALANCE OF TRADE, OCCUPIED TERRITORIES (excluding Jerusalem)

(Israeli Shekels, Million)

	1979		1980		1981	
EXPORTS						
To Israel - Total	436.7	63.5%	1162.9	66.0%	3287.1	72.10%
Agricultural Products	93.3	13.5%	258.8	14.7%	516.9	11.30%
Industrial Products	343.4	50.0%	904.1	51.3%	2770.2	60.80%
To Jordan - Total	225.4	33.0%	543.9	30.9%	1173.3	25.80%
Agricultural Products	129.9	19.0%	246.0	14.0%	572.6	12.60%
Industrial Products	95.5	13.9%	297.9	16.8%	600.7	13.20%
To other countries - Total	25.1	3.5%	56.6	3.2%	96.7	2.10%
Agricultural Products	22.6	3.3%	48.3	2.7%	79.6	1.70%
Industrial Products	2.5	.2%	8.3	.5%	17.1	.40%
Total Exports:	687.2	100%	1763.4	100%	4557.1	100%
IMPORTS						
From Israel - Total	1278.6	87.2%	3046.1	87.8%	7668.6	89.60%
Agricultural Products	186.4	12.7%	461.3	13.4%	1041.7	12.20%
Industrial Products	1092.2	74.5%	2584.8	74.4%	6626.9	77.40%
From Jordan - Total	12.7	.8%	27.9	1.5%	85.2	1.00%
Agricultural Products	1.0		2.6	.2%	2.1	.03%
Industrial Products	11.7	.8%	25.3	1.3%	83.1	.97%
From Other Countries - Total	175.5	12.0%	400.4	11.5%	802.9	9.40%
Agricultural Products	16.3	1.1%	30.3	.8%	57.4	.70%
Industrial Products	159.2	10.9%	370.1	10.7%	745.5	8.70%
Total Imports:	1466.8	100%	3474.4	100%	8556.7	100%
Excess of Imports over exports	799.6		1711.0		3999.6	
Trade with Israel	841.9		1833.2		4333.2	
Trade with Jordan	-212.7		-516.0		-1088.1	
Trade with other countries	150.4		343.8		706.2	

Source: Derived from Israeli Statistical Abstract, 1982.

TABLE (4.3)

G.N.P. AT CURRENT PRICES, OCCUPIED TERRITORIES, 1977

(Israeli Shekels, million)

	Agriculture (1)	Industry (2)	Construction (3)	Services / Transport (4)	Remittances and wages from Israel employment (5)	Total
West Bank	1,314	297	737	2,366	1,572	6,286
%	(21.0)	(4.7)	(11.7)	(37,6)	(25.0)	(100)
Gaza Strip	685	225	343	870	864	2,987
%	(22.9)	(7.6)	(11.5)	(29.1)	(28.9)	(100)
	1.999	522	1,080	3,236	2,436	9,273
%	(21.6)	(5.6)	(11.6)	(34.9)	(26.3)	(100)

Source: Al Ard Bulletin, Vol.6, No.20, 7.7.1979

TABLE (4.4)

WORLD IMPORT/EXPORT NETWORK 1978 - TOTAL

(million Dollars (U.S))

Destination / Origin	World	Europe	ARAB COUNTRIES		
			Total	Petroleum Exporters	Other Arab Countries
World	1,303,300	586,544 (45.0%)	60,464 (4.6%)	42,209 (3.2%)	18,254 (1.4%)
Europe	562,536	-	38,318	26,848	11,470
Arab Countries	77,391	46,351 (59.9%)	3,781 (4.9%)	2,698 (3.5%)	1,083 (1.4%)
Petroleum Exporters	71,151	41,136 (57.8%)	2,961 (4.2%)	2,175 (3.1%)	786 (1.1%)

Source: UNCTAD Report on Trade between the Arab World and Developing Africa, December 1982 to joint League of Arab States/OAV Committee. (P. G. Sadler)

TABLE (4.5)

WORLD IMPORT/EXPORT NETWORK 1978 - AGRICULTURAL PRODUCTS

(million Dollars (U.S))

Destination / Origin	World	Europe	ARAB COUNTRIES		
			Total	Petroleum Exporters	Other Arab Countries
World		104,912	10,826	6,144	4,683
Europe	73,749	-	4,172	2,226	1,945
Arab Countries	2,590	1,471	583	384	198
Petroleum Exporters	288	100	106	77	29
Other Arab Countries	2,302	1,371	476	307	169

Source: UNCTAD Report on Trade between the Arab World and Developing Africa, December 1982. (P. G. Sadler) to joint League of Arab States/OAV Committee.

TABLE (4.8)

WORLD IMPORT/EXPORT NETWORK 1978 - MANUFACTURING

(Hundred Thousand Dollars (U.S))

Destination / Origin	World	Europe	ARAB COUNTRIES		
			Total	Petroleum Exporters	Other Arab Countries
World	-	1,211,432	11,807	9,161	2,645
Europe	127,307	-	7,596	5,736	1,860
Arab Countries	1,408	690	520	415	105
Petroleum Exporters	380	117	320	282	38
Other Arab Countries	1,028	573	201	133	68

Source: UNCTAD Report on Trade between the Arab World and Developing Africa, December 1982. (P. G. Sadler) to joint League of Arab States/OAV Committee.

TABLE (4.7)

THE STRUCTURE OF ARAB OIL PRODUCERS 'TRADE (1978)

Product Group	Exports ($ millions)	% of Total	Imports ($ millions)	% of Total
Food Excluding Cereals	77.1	0.1	2,568.3	6.1
Cereals	16.6	-	1,329.6	3.2
Spices, Beverages and Tobacco	159.3	0.2	1,201.1	2.9
Agriculture (Non Food)	35.4	0.1	1,044.5	2.5
Crude Materials (Non Agricultural)	111.2	0.2	170.2	0.4
Energy	68,903.2	96.8	10,296.6	3.1
Chemicals	634.4	0.9	1,602.2	3.8
Processed Metals and Simple Materials	324.4	0.5	5,560.1	13.2
Processed Materials and Simple Manufacture	198.2	0.3	5,116.4	12.1
Transport	274.5	0.4	5,257.1	12.5
Machinery	234.8	0.3	13,017.8	30.8
Miscellaneous Manufacturing	180.4	0.3	3,993.7	9.5
Not Elsewhere Classified	1.6	-	51.2	0.1
TOTAL	71,151.1	100	42,209.4	100

Source: UNCTAD Report on Trade between the Arab World and Developing Africa, December 1982 (P. G. Sadler) to joint League of Arab States/OAV Committee.

TABLE (4.8)

THE STRUCTURE OF ARAB NON-OIL STATES' TRADE

Product Group	Exports ($ millions)	% of Total	Imports ($ millions)	% of Total
Food Excluding Cereals	935.6	15.0	1,437.6	7.9
Cereals	74.8	1.2	1,328.3	7.3
Spices, Beverages and Tobacco	88.8	1.4	732.2	4.0
Agriculture (Non Food)	1,202.6	19.3	1,184.5	6.5
Crude Materials (Non-Agricultural)	816.5	13.1	122.6	0.7
Energy	1,609.2	25.8	1,310.6	7.2
Chemicals	309.6	5.0	1,486.2	8.1
Processed Metals and Simple Materials	84.2	1.4	1,755.0	9.6
Processed Materials and Simple Manufacture	584.9	9.4	1,906.0	10.4
Transport	37.5	0.6	2,030.6	11.1
Machinery	52.9	0.9	4,221.6	23.1
Miscellaneous Manufacturing	440.4	7.1	662.3	3.6
Not Elsewhere Classified	3.0	0.1	76.9	0.4
TOTAL	6,239.6	100	18,254.2	100

Source: UNCTAD Report on Trade between the Arab World and Developing Africa, December 1982 (P. G. Sadler) to joint League of Arab States/OAV Committee.

CHAPTER 5

5.0 Identification and strengthening of resource base

(a) Resource Base

5.1.1 To establish the resource base of the Palestinian economy is a very difficult exercise indeed. The sixteen years since occupation, following as they did on a period in which Palestinian lands had already gone through many years of disruption after the 1948 partitions, have seen a grave distortion in all areas of economic activity, so that the picture portrayed by the normally accepted figures have no real relevance to the resources available. In particular, the distribution of industrial and manufacturing activity (see Chapter 2) gives us few clues to the distribution of whatever resources there are.

5.1.2 The main resource which will be available to an independent Palestine is almost undoubtedly labour. The physical resources available are extremely meagre. There are limestones, marble and clay in Hebron and around Jerusalem as well as in some other areas. These could form the basis of a cement and brick industry, although in both cases energy requirements would be comparatively large, and export is not a feasible proposition except to immediate neighbours due to transport costs and the nature of the product. A significant input could be obtained from agriculture, however, in canning, preparation and preserving of fruits and vegetables. In the chapter on markets available to an independent Palestine (Chapter 4) we noted previous work on the imports of the Arab world, and how the imports of the oil States especially were oriented towards the industrial world. It is significant that this also applied to foodstuffs, where purchases from Europe had not only been increasing in quantity but also as a proportion of total food imports. This could be traced to a rapid change in marketing methods which accompanied the leap in incomes after 1973. The products purchased not only changed in quality and type, but more importantly retailing in many of the importing states changed in favour of frozen and prepacked items with a high value added content. This trend is liable to continue for some time yet, and the supermarket type of outlet, long established in the industrial countries, is gaining ground, with refrigeration and prepacking of food items becoming increasingly common while the development of agriculture would need to go hand in hand with the development of agro-industry. There is little doubt that in independent Palestine, with its agricultural potential, could exploit this market, and thereby form a basis for a wider export market, both for prepared foods and citrus juices.

5.1.3 Lastly, the olive crop has long been a source of semi-industrial activity. There are 715,000 dunums of olive trees on the West Bank, and 297 pressing firms. This source of oil was an early base for a soap industry, which now no longer uses oil from this source. While there is at present a surplus available in Europe which is being exported at very competitive prices, this commodity also could be expected to find an exploitable market in Arab countries.

5.1.4 Given the parlous state of the known resource base, one of the main contributions to future development would be the strengthening of the current industrial base generally, and the alleviation of the current economic difficulties. This will at least ensure the preservation of the current industrial activity and its rejuvenation as a basis for the future developments. Thus we devote the second part of this chapter to this topic "alleviation of current difficulties."

5.2.0 Alleviation of current difficulties

5.2.1 As part of this programme of research, visits have been made to a number of agencies dealing with the current problems faced by the Palestinian people. For example, funds are available, and administered by the P.L.O. to assist small businesses and farmers to develop and modernise their activities. Due to the current difficulties of the Palestinians resident in the Occupied Territories, much of these funds have been directed toward stemming further deterioration rather than development, but a programme is being developed by the representatives of the Palestinian people which should go some way toward helping them in their present state, and help to establish a firmer base for the future. The point is introduced and discussed here as it is considered that the United Nations, expecially UNIDO, may have it in their power to assist in these development efforts. Also, the outlines of the programme and the underlying rationale conform with the recommendations made later in this report.

5.2.2 A detailed study of the workshop type activities in many areas has indicated a dire need for an upgrading of attitutes, equipment, and products. Assistance is being given, at present on a selective basis, to achieve this, especially in the garment and woodworking industries. There is special concern that these industries should widen the scope of their markets, but it is recognised that they cannot do so without some measure of upgrading and product standardisation. The P.L.O. through its office in Amman, are striving to achieve these objectives, and are seeking to organise the scattered workshops into more cohesive groups for bulk buying of materials, for joint marketing, and for more efficient use of technical assistance which can best be provided to groups rather than to individual workshops. While funds are small, this is a strong start, and would seem to follow the lines suggested in UNIDO's volumes on utilisation of appropriate technology, especially recommendations on rural workshops industrial centres. This matter will be raised more fully later in the report's recommendations.

(b) Agro-industry

5.2.3 The various activities undertaken in this category of activity are capable of much upgrading, both as to quality of output and amount of value added. There are many nascent projects capable of immediate implementation, but even if a shortage of funds was overcome, other problems, such as marketing and lack of facility with modern methods of production, would need to be tackled. Examples are:

5.2.3.1 Olive Pressing (on the West Bank). Present equipment is out of date, and the product is poor. There is a need of better machinery, for which funds are available, but there is need for technical training in its use, better quality control, and improved marketing.

5.2.3.2 Grapes. It seems the general view that this is a very underused crop capable of improvement and extension. While at present the juice is reduced to a rather primitive syrup type product, it is considered that production of better quality fruit could be the basis of raisin production, especially for export.

5.2.3.3 Tahine (sesame). This crop is capable of far greater value added, as the sesame oil is a basis for valuable sweetmeats. Present extraction methods, like olive pressing, are primitive. While funds may be available for purchase of better equipment, technical assistance and training is also necessary. Given good quality output, however, a whole new range of outputs could be based on it.

5.2.3.4 Oranges (especially in the Gaza Strip) and other citrus fruits. Much of the current crop is not suitable for sale as fruit, especially on the more lucrative markets. As well as the need for agricultural upgrading, there is much scope for juice manufacturing, bottling, and canning. As with olive oil, establishment of brand names, good quality control, and packaging consistent with modern market methods (e.g. into containers suitable in size for immediate purchase from the supermarket shelf) would bring extensive increases in value to the initial product.

5.2.4 Other Industries

Building materials, especially stone cutting and marble, are much in demand. Marble polishing for floors and facings of prestigious buildings are labour intensive industries which are now being encouraged, and new ways of using natural stone facing for concrete blocks manufactured elsewhere opens up new prospects for this industry. There seems much scope for development of these activities now.

5.2.5 Tourism

Although this is not part of the manufacturing sector, it is extremely important as a user of industrial and agro-industrial output, as well as being a significant user of labour. Assistance is also being given to hotel owners to upgrade their accommodation, but the tourist industry is hampered by the lack of direct access to the prospective foreign client. Visits to the Occupied Territoriies are handled by Israeli tourist offices world wide, and access is generally via Tel Aviv, using El Al, the Israeli airline. The tours are conducted by Israeli tour operators with Israeli guides. We were unable to verify a report that whereas there were three hundred licensed Arab guides to the holy places on the West Bank at the time of the occupation there are now only seventeen. However, the political as well as the economic significance of the domination of foreign tourism to the Occupied Territories by Israeli influence should not be ignored.

5.2.6 The programme outlined by the P.L.O. and administered by them through the Technical Office of the Joint Committee in Amman is an important step toward overcoming current difficulties, but they need technical and other assistance to help them bring the programme to fruition and also to maximise the benefits which flow from it.

5.2.7 As well as funds provided as above, there are also funds available from the Islamic Development Bank. The P.L.O. have shares in this bank as have 62 countries, and the Islamic Bank have decided to treat the Palestinian people as they would any other Islamic nation, with the P.L.O. as their representatives, and to accord them identical loan and other facilities. Their loans are of three types; (1) unconditional and cost-free. These are for infrastructure, hospitals, etc.; (2) low cost loans for identified social desirable projects; and (3) commercially costed loans for commercially viable projects within the aims of the Islamic Conference.

5.2.8 So far, Palestinians in the Occupied Territories have been unable to benefit from the last two categories due to restrictions imposed by the Occupying Power, but there is much need for these restrictions to be lifted, and for the P.L.O. to improve their technical capacity for project evaluation, follow up, and monitoring to ensure maximum benefit from such loans. While reference will be made again to this in the chapter on Recommendations, the following points could be made here:

5.2.8.1 There is evident need for technical assistance in the design and choice of upgrading methods and installation of new machinery generally. This cannot be left to the individual entrepreneur, who can only repond to existing stimuli from existing markets. The upgrading should take place in conjunction with market reorientation and development aw well as industrial reorganisation generally.

5.2.8.2 There is a dire need for more employment for qualified staff, so that upgrading will help in this direction also.

5.2.8.3 The marketing problem is of paramount importance, and is dealt with to some extent in the chapter on market potential, Chapter 4. However, the problem should be seen here as part of the wider set of problems facing industrialisation. Without an adequate marketing infrastructure to spread increase outputs to new markets, existing markets can rarely bear the pressures of over supply, and modernisation and industrialisation become counter productive. There are many examples available in Palestinian experience, but one will suffice: Assistance was given to many West Bank farmers to improve their output of tomatoes. The main market for these was in Jordan, but there were few organisations equipped to spread the extra supply to other markets. Consequently the tomato prices collapsed, and the Jordanian authorities were forced to restrict the amount of tomatoes coming onto the market. As well as illustrating the importance of agro-industry development, which allows farmers to produce for a known stable market (canning, or ketchup, in the case of tomatoes) this example illustrates graphically the need to develop markets abroad for Palestinian produce, and to produce for those markets. The new methods of protected agricultural production are now available to the Palestinians in the Occupied Territories, and can be introduced to great effect within current restrictions on water use, but without a marketing infrastructure this would be to little advantage.

5.2.8.4 The need to development expertise in project evaluation among the staff of the various organisations concerned with Palestinian development, and also the need for technical training as already mentioned, may well be thought something which UNIDO could meet through UN auspices, and recommendations on this will be made later.

CHAPTER 6

6.0.0 Labour, manpower skills and training for industry

6.1.1 Labour

The factors which favour industrial development must always be seen in a relative sense, in as much as any activity which utilises resources will preclude the use of those resources elsewhere. In Palestine, the options for development will seemingly be few if based upon natural resources, as was illustrated in a previous report,* and commented on in "Palestine. Options for Development", P. G. Sadler and Bakir Abu Kishk (UNCTAD 1982). Almost certainly it will be necessary to develop a substantial export base for any long-term development to be generated. With a virtual complete lack of indigenous energy sources, little and narrow natural resource endowment, etc., an export base will be necessary not only to permit the Palestinian economy to concentrate on a narrower range of output and, relying on comparative advantage, obtains its consumption requirements by trade, but also to permit the importation of such vital requirements as energy on which industrial output itself will depend.

6.1.2 Much will depend on the supply and quality of Palestine's main resource, labour. This, we would anticipate, would increase rapidly over the first ten years of an independent Palestine, as shown in "Options for Development" (op. cit.). The current Palestinian population throughout the world has been estimated at around 4,221,500 by Abu Kishk, deriving his estimate from various sources. Their distribution is as in Table (6.1), and the current distribution of the labour force within the Occupied Territories by place of work is as shown in Table (6.2).

6.1.3 In Table (6.2) we note how the level of employment in the Occupied Territories has been falling throughout the period shown, while employment in Israel of residents in the Occupied Territories has increased many-fold, so that the proportion of the employed population working in Israel is now over one-third.

6.1.4 If we apply the percentage in Table (6.3) for 1980 to the totals in Table (6.2), we find, as an estimate, the following distribution of the workforce between the main economic sectors.

TABLE (6.4)

NUMBERS EMPLOYED, BY MAIN ECONOMIC SECTORS, 1980

	Agriculture	Industry	Construction	Other	TOTAL
Occupied Territories	39,400	22,700	13,200	63,400	138,700
%	(28.4)	(16.4)	(9.5)	(45.7)	(100)
Israel	9,800	15,000	34,300	12,800	71,900
%	(13.6)	(20.9)	(47.7)	(17.8)	(100)
	49,200	37,700	47,500	76,200	210,600
%	(23.4)	(17.9)	(22.6)	(36.1)	(100)

From the figures, it seems obvious that while 26% of the workforce employed within the Occupied Territories are engaged in either industry or construction, 69% of those commuting to Israel are employed in those two sectors. It is probable from all information available that many of those commuting, especially in construction, are employed at the lower levels of skill, but taking the figures for the Occupied Territories and Israel as a whole they illustrate a far better balance between the employment in sectors

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* Review of the Economic Conditions of the Palestinian People in the Occupied Territories. Khouja M. W. and Sadler P. G., UNCTAD 1981.

than would be assumed from an examination of the GDP of the Occupied Territories only. Thus, even though we draw attention to the extremely narrow resource base available to the Palestinian economy on which future industrial development must be based, there is certainly a better labour base available to be drawn upon.

6.2.0 Manpower skills and training

6.2.1 It must be stressed that in view of the narrow employment possibilities available the education and skill levels of the people in the Occupied Territories are being grossly under-utilised. This will give added support to any initial industrial developments during the earlier years of reconstruction. It is difficult to give any quantitative assessment of this factor, but Table (6.5) shows the levels of education reached by the population over 14 years old in the Occupied Territories during the years 1975-1980. While in no way completely satisfactory, it is obvious that the proportion of the workforce which has received at least a full primary education is increasing year by year.

6.2.2 The detailed distribution of numbers within the class whose education comprises nine years schooling or over is not available, but we are able to show the distribution of current student numbers in further education establishments at both university and non-university level. The preponderance of univsersity students is most striking, and although recent figures for some of the non-university establishments are not available, by the nature of the institutions' purposes the proportion of students in technical type training must be very low, e.g. of the twelve non-university establishments shown in Table (6.7), only the Hebron Polytechnic Institute provides any form of technical training above high school level. A number of the rest are teacher training schools.

6.2.3 Table (6.8) shows the number of high school graduates in the Occupied Territories during the years 1972-79, and it is obvious that the accent in the increase in education levels has been on non-technical training. Thus, even though we may assume some slack available among the current resident population, the expansion we envisage necessary for the industrial sectors will quickly absorb this, and futher technical skills will need to be found among the returning exiles from the workforce outside Palestine.

TABLE (6.8)

Distribution of High School Graduates over the period 1972-1978

Year	Total Graduates	Technical Institutions	% of Technical Students
1972	5966	293	4.9
1973	7096	283	4.0
1974	6492	228	3.5
1975	7111	284	4.0
1976	8507	341	2.8
1977	8053	247	3.0
1978	9313	327	3.5

Regarding the workforce outside Palestine, this falls into two main categories. There are those which are resident in the refugee camps in neighbouring countries, and those which are dispersed and occupying positions of varying levels in other countries.

6.3.0 Palestinians in the refugee camps and states bordering Palestine

6.3.1 In Table (6.1) we show that of the 1980 population of 4,221,500, 1,683,400 were in neighbouring Jordan, Syria and Lebanon, 451,850 were in the oil states of Kuwait, Iraq, Libya, Saudi Arabia and United Arab Emirates, 108,000 elsewhere in the Arab world, and 226,150 in the rest of the non-Arab world. It is from these groups, plus the half million in Israel, that the returning exiles will come. Of the groups in Jordan, Syria, and Lebanon, a goodly proportion of these were in the refugee camps. We might expect that the great majority of these will return to an independent Palestine, especially those that were, in that year, resident in Lebanon, and having suffered the horrors of the invasion of Lebanon are now either living under even worse conditions than before or are dispersed in other countries as refugees. Of those in the Arab oil States, other Arab States, and the rest of the world, it is not possible to make a realistic assessment of the numbers which will eventually return, but many of those in the oil States, for example, have their origins in the refugee camps, and often it is those of high ability and training which have moved to take up positions in these areas. We have some information on the education levels and occupation structure of those formerly resident in the refugee camps (for example, see the Statistical Surveys undertaken by the Palestinian Central Bureau of Statistics, Damascus, in 1979). Of those in other countries, we have hardly any information on education levels, but some information on occupation.

6.3.2 Considering those in the camps, many of those who receive training or obtain educational qualifications move to other countries. This is not only to increase their earning possibilities, but usually with a view to repatriation of part of their income to maintain other members of their family. This in itself is bound to give a bias to any estimates of educational levels among those in the camps, and an opposite bias to such considerations of those resident elsewhere.

6.3.3 Figures for Shatila Camp, 1979 (i.e. prior to the 1982 massacre) are indicative of the education levels. Of the 8,278 population of the camp, 2,137 were economically active, but over 90% of these were male. The educational levels showed a marked bias downward, in that of the total, 392 (18%) were illiterate, and 999 (45%) classified as able to write and read, but not having certificates of any formal education. At the other end of the scale, only 34 (or 1.6%) had received university training. However, these data concentrated on the economically active workforce. When account was taken of the whole population between 10 and 65 years, 13% of the male population over 10 years were classified as illiterate and 32% of females. This improvement is due to the high degree of literacy among the younger members of the population not yet in the workforce. Of males able to read or write, but without certificated education of any sort, this constituted 43% of the male population, with a corresponding 32% on the female side. It seems obvious from the figures that unemployment was spread throughout the whole range of educational attainment, but that it was especially so among women, in that whereas there were 70% of the males between 10 and 65 years in employment, there were only 6% of women in employment.

6.3.4 The educational levels of those in the survey of Shatila could not be regarded as high, although their skills and abilities were being underused. This under-utilisation is a reflection of the narrow range of opportunities available.

6.3.5 Of the education and skill levels outside Palestine, little is known. However, some inferences may be drawn from information available on the percentages of the workforce in different categories of employment in a number of Arab countries (See Table (6.12)). These figures show a much smaller percentage in agriculture than in the Occupied Territories (except in the case of Jordan). Admittedly, this may be a biased result due to the low level of agricultural activity in most of the countries concerned, but it does give some indication of the type of labour available in the diaspora. However, of the countries in the Table, hardly any can be said to have a very large industrial component in this economic structure. The oil states have their industrial sector overshadowed by oil, and if consideration is limited to the non-oil sector, this usually contains a substantial component of very capital intensive downstream activities. Little is known of the details of the skills and activities of the people involved, but the general picture of those employed outside Palestine is of a two-part labour force. The one part of those living in the camps, mostly in the three neighbouring countries of Jordan, Lebanon, and Syria, where the level of employment, and level of skills required is quite low, and the other part of workers almost totally employed, and in semi-skilled or skilled occupations. Of the last mentioned, may are in very highly skilled managerial positions and are often extremely well qualified.

6.4.0 Skill requirements and training

6.4.1 In many ways the skills available must have some bearing in the short-run on the level of technology exercised in industry, and therefore on the type of industry introduced. On the other hand, the longer term requirements of development will dictate the types of skills and the level of expertise needed for such development to be self-sustaining.

6.4.2 The needs of the reconstruction period from the point of view of this project will be varied:

(1) To provide for the redeployment of resources generally;

(2) To set a basis for both the economic and the social development of the newly independent Palestine;

(3) In doing so, to provide employment for the large numbers of returning exiles as well as to provide for their needs;

(4) To ensure that the base for the industrial sector (as for others) is firmly established.

6.4.3 Consequently, it may be envisaged that the rapidly expanding industrial sector will be called upon to provide a substantial increase in employment each year, and that this may initially be of a largely semi-skilled variety. Such expansion will need to take place rapidly and consistently during the first decade, so that it is unlikely that rapid increases in technological levels will be advisable. For the GDP to make the rate of advance possible to provide for the increase in population and also to find them employment would itself be an enormous achievement. We show in Table (6.13) the number of extra jobs which would be required during the first ten years, and we conclude in this report that many of these will need to be provided by the industrial sector. The level of technology used, coupled with the increase in the number employed will determine the size and the rate of growth in the sector's GDP. However, it would seem more appropriate to choose the industries most suitable according to the levels of technology used at the level of "best practice available" rather than to choose the industries first and then to decide on the levels of technology according to the supply of labour available. Most capital will need to be imported, so that its price will be fixed. Consequently, if we assume for theoretical argument, a world price for each product, there will be a single point on each products' production function appropriate to each wage level, and the choice of industry that will maximise total contribution to GDP at a level of full employment will be determinable. However, although this theoretical principle is sound, the reality will be much more complex. For example, we would envisage that managerial input will have a large contribution to make to increasing the productivity of labour, and we consider that such managerial skill to transform a largely semi-skilled population, returning from different countries, will probably be available, and should actively be sought prior to independence. Also, the amount of capital which will be made available by friendly nations will depend, at least in part, on the return it may be expected to earn, and also when it will earn it. This too will have an affect upon industrial choice. Consequently, the spectrum of skills and the quantity of labour will be both determinants and determinands of the choice of industrial activity.

6.4.4 Lastly, although the choice of industries in the way suggested may appear relatively simple under conditions whereby output is measured at world prices, not all inputs can be purchased on the world market, and a large number of these will be "non-tradables" in the language of development literature. There will be inputs that are non-transportable, or for which transport costs are so prohibitive a fraction of input costs that for all but extreme circumstances importation as opposed to home production would be uneconomic. This type includes the utilities, power, transport, and often cement and heavy building materials. The need for these industries will be dictated by the needs of the other industries chosen, and this must also be borne in mind when the industries producing "tradable" goods are being discussed.

6.5.0 Employment as an objective

6.5.1 In Palestine, Options for Development (UNCTAD 1982) Sadler and Abu Kishk identified the total number of jobs required to be created in the Occupied Territories during the first ten years of independence under the following assumptions:

(a) The 78,000 at present employed in Israel to be absorbed in the Palestinian economy in the first five years;

(b) A doubling of the female participation rate from 8.6% to 17.2% of employment age groups;

(c) Improvement on the overall male participation rate of employment age groups to around 90%;

((b) and (c) will give an overll participation rate for the whole population of 23%)

(d) A return of 50% of the diaspora in the first ten years of independence;

(e) A natural growth rate in the population of 3%.

Using these assumptions, the number of new jobs needed (or in another sense the labour resources available) will be as shown in Table (6.13). Over the first ten years a total of 623,820 jobs will be needed.

6.5.2 In the same volume, the authors calculated the labour needs for building housing, infrastructure, schools etc., during the reconstruction period, (see Table (6.14)) and estimated the labour available for other purposes during each year (the table also shows the extra amount of water available each year after municipal and agricultural needs are satisfied). The labour available, and shown as "surplus" in the table, will need to cater for industrial activity, public utilities and services, both private and public. By the end of the reconstruction period, when it is assumed that most of the diaspora who wish to do so will have returned, the pattern of the future Palestinian economy will have been set. Consequently the development of the industrial sector, based upon the increasing levels of labour available, will have to take place in harmony with the other developments calling on labour, but in the knowledge that at the end of the reconstruction period there will also be a need to accommodate much of the labour hitherto used in reconstruction activities.

6.5.3 In the labour force available, we would anticipate finding a wide diversity of technical and commercial skills, and also an adaptable section at the semi-skilled and unskilled level both from those exiles returning and those at present commuting to work in Israel. Viewing this type of labour as a resource, the possibility of creating a manufacturing sector to include a substantial component of assembly work and similar activities, producing largely for export, as mentioned in other parts of this report, should be investigated as an urgent priority.

TABLE (6.1)

TOTAL PALESTINIAN POPULATION, 1980

Location	Population
West Bank (1)	699,600
East Jerusalem (1)	110,400
Gaza Strip (1)	430,500
Israel (1)	510,600
Jordan, Syria, Lebanon (2)	1,683,400
Kuwait (3)	247,000
Iraq (2)	19,950
Libya (2)	23,000
Saudi Arabia (2)	127,000
United Arab Emirates (2)	34,900
Rest of Arab World (2)	108,000
Non-Arab World (4)	226,150
	4,221,500

1) Statistical Abstract of Israel 1980 (1980 extrapolated from 1979).

2) Statistical Indicators of the Arab World 1970-79. ECWA. 1981.

3) Annual Statistical Abstract, 1981. Ministry of Planning, Kuwait.

4) Estimate, Abu Kishk.

Table (6.2)

Distribution of the labour force according to place of work 1970-1930

Year	Occupied Territories		Israel	
	Total (000)	%	Total (000)	%
1970(1)	152.5	87.9	20.6	12.1
1971	142.7	80.6	33.8	19.4
1972	136.3	72.2	52.5	27.8
1973	133.4	68.6	61.2	31.4
1974	141.2	67.5	68.7	32.5
1975	138.6	67.6	66.5	32.4
1976	140.9	68.5	64.9	31.5
1977	141.4	70.9	63.0	29.1
1978	142.7	67.5	68.2	32.7
1979	138.0	65.0	74.1	35.0
1980(2)	138.7	65.9	71.9	34.1

Annual abstracts of statistics, Israel, and statistical Quarterlies of the Administeral Territories.

TABLE (6.3)

Distribution of Labour Force by Economic Sectors in the Occupied Territories and in Israel 1970-1980

(percentages)

Year	Distribution of Workers in the Occupied Territories by Economic Sector (1)				Distribution of Workers from the Territories Working in Israel by Economic Sector (1)			
	Agriculture	Industry	Construction	Other	Agriculture	Industry	Construction	Other
1970	38.7	13.8	8.4	39.1	24.4	11.6	54.3	9.7
1971	36.8	13.6	5.6	43.8	22.3	14.8	52.3	10.6
1972	73.5	13.9	6.2	46.4	23.1	17.1	49.5	10.3
1973	31.3	15.1	6.4	47.2	19.3	18.1	51.7	10.9
1974	33.8	14.0	6.2	46.0	19.1	17.5	52.5	10.8
1975	31.8	14.5	7.3	46.4	14.3	18.4	54.4	12.9
1976	31.4	14.4	8.2	46.0	15.4	19.7	50.3	14.6
1977	30.5	14.2	9.1	46.2	16.2	21.3	45.3	17.2
1978	29.5	15.2	9.5	45.5	16.8	22.2	44.8	16.2
1979	28.0	16.8	10.1	45.1	14.8	22.8	46.2	16.2
1980	28.4	16.4	9.5	45.7	13.6	20.9	47.7	17.8

Sources: Annual Abstracts of Statistics, Israel, and Statistical Quarterlies of the Administered Territories, Israel. (various.

TABLE (6.5)

Percentage distribution of Population over 14 years of age by the level of education and location

Years of School Completed	WEST BANK						GAZA STRIP					
	1975	1976	1977 (1)	1978	1979	1980 (2)	1975	1976	1977 (1)	1978	1979	1980 (2)
Total	366,9	371,0	379,4	389,7	398,6	400,9	225,0	231,5	239,3	249,8	243,0	242,9
			percentage			of	total					
0	37.0	34.4	33.3	32.2	30.1	28.5	39.0	36.8	34.3	32.4	31.6	30.2
1-4	10.5	10.9	10.9	11.0	10.9	11.1	7.0	7.2	7.6	7.3	6.9	6.3
5-6	15.2	15.8	15.7	15.8	16.0	15.7	11.5	12.4	12.6	12.7	13.3	13.8
7-1	12.1	12.6	12.8	12.8	12.8	12.7	8.5	10.0	10.2	10.0	10.1	10.2
9-	25.2	26.3	27.3	28.2	30.2	32.0	34.0	33.6	35.3	37.6	38.1	39.5

TABLE (5,6)

Total Students of the Various Universities over the Period 1975 - 1981

University	1975 1976	1976 1977	1977 1978	1978 1979	1979 1980	1980 1981	1981 1982
Berzeit University	473	600	827	1062	1392	1661	1882
Bethlehem University	410	509	670	701	260	871	1178
AnNajah National University	-	-	924	1372	1574	2549	2822
Islamic College of Shareeh - Hebron	203	214	338	396	475	1025	1201
College of Eldawa - Jerusalem	-	-	-	56	112	170	230
The Islamic University - Gaza	-	-	-	-	301	733	1778
College of Medical Sciences	-	-	-	-	-	51	152
Total University	1086	1323	2759	3587	4614	7060	9263

TABLE (6.7)

Distribution of Students in Non-University Education at the High School levels or above over the period 78 - 81

Institutions	1978 1979	1979 1980	1980 1981	1981 1982
Polytechnic Institute (Hebron)	54	113	225	338
Almahed Elsharaee (Jerusalem)	48	57	55	58
" " (Qalqeliah)	30	57	59	60
Industrial Secondary School (Jerusalem)	298			
" " " (Nablus)	358			
Salizian Secondary School (Bethlehem)	131			
Abdulla Bn. Hussein Secondary School (Jerusalem)	70			
Der Debwan Secondary School				
Industrial Secondary School (Tulkarem)	186			
Training Centre Kalandia	426			
Teachers Training Centre Eltira	354			
Orphanage Industrial Secondary School (Jerusalem)	78			
Total	2033			

TABLE (6.9)

Palestinian Arabs (10 years and over) by educational status, and sex

(Shatila Camp, Lebanon) Nov.1979

Total		University & Over		Post Sec. Intermediate Institute		Voc.Secondary Certificate		Gen.Secondary Certificate		Intermediate Certificate		Primary Certificate		Read & Write		Illiterate	
F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
2707	2770	2	39	4	12	1	4	57	185	221	286	480	672	877	1196	865	376
TOTALS 5477		41		16		5		242		509		1352		2073		1241	

Survey by Central Statistical Office Palestine National Fund, Damascus 1979

TABLE (6.10)

Economically active Palestinian Arabs (10 years and over) by occupation, industry and sex

(Shatila Camp, Lebanon) Nov. 1979

Occupation		INDUSTRY										
		Total	Unemployed seeking employment for the first time	Community, Social & Personal Services	Finance, Insurance Real Estate and Business Services	Transport Storage & Communications	Wholesale & Retail Trade, Restaurants & Hotels	Construction & Building	Electricity, Gas & water	Manufacturing	Mining & Quarrying	Agricultur Forestry, Hunting an Fishing
Professional, Technical & Related Workers	M	110	-	99	-	-	1	9	-	1	-	-
	F	36	-	36	-	-	-	-	-	-	-	-
Administrative and Managerial Workers	M	5	-	5	-	-	-	-	-	-	-	-
	F	1	-	1	-	-	-	-	-	-	-	-
Clerical & Related Worekrs	M	51	-	40	5	1	3	2	-	-	-	-
	F	25	-	23	-	-	1	-	-	-	-	-
Sales Workers	M	218	-	2	1	-	215	-	-	-	-	-
	F	10	-	-	-	-	10	-	-	-	-	-
Service Workers	M	213	-	160	-	25	19	1	-	4	-	4
	F	36	-	30	-	-	4	-	-	2	-	-
Agricultural, Animal Husbandry, Forestry and Fishermen	M	26	-	-	-	-	-	-	-	-	-	26
	F	-	-	-	-	-	-	-	-	-	-	-
Production Workers, Transport Equipment Operators and Labourers	M	1104	-	252	-	101	10	508	1	231	1	-
	F	55	-	2	-	-	-	-	-	53	-	-
Unemployed seeking work for the First time	M	43	43	-	-	-	-	-	-	-	-	-
	F	4	4	-	-	-	-	-	-	-	-	-
TOTAL	M	1770	43	558	6	127	248	520	1	236	1	30
	F	167	4	92	1	-	15	-	-	55	-	-
	T	1937	47	650	7	127	263	520	-	291	1	30

TABLE (6.11)

Economically active Palestinian Arabs (10 years and over) by employment status, educational status and sex

(Shatila Camp, Lebanon) Nov. 1979

Employment Status	SEX	Educational Status								
		Total	University and Over	Post Sec. Intermediate Institute	Voc.Sec. Certificate	Gen.Sec. Certificate	Intermediate Certificate	Primary Certificate	Read & Write	Illiterate
Employer	M	240	1	-	1	2	5	16	208	7
	F	4	-	-	-	-	-	2	-	2
Own Account Worker	M	350	4	-	-	14	27	52	183	70
	F	21	-	-	-	-	-	5	9	7
Employee	M	1313	28	12	2	92	125	251	546	257
	F	138	-	2	-	14	22	38	31	31
Family Worker	M	4	-	-	-	-	-	-	4	-
	F	-	-	-	-	-	-	-	-	-
Unemployed seeking work for the first time	M	43	1	-	-	1	2	5	18	16
	F	4	-	-	-	-	2	-	-	2
TOTAL	M	1950	34	12	3	109	159	324	959	350
	F	167	-	2	-	14	24	45	40	42
	T	2117	34	14	3	123	183	369	999	392

Survey, Central Statistical Office Palestine National Fund Damascus 1979

TABLE (6.12)

PALESTINIANS IN HOST COUNTRIES BY ECONOMIC ACTIVITY in 1979 (percentage)

Total Palestinian Population	1,278,000	276,000	81,000	247,000	127,000	34,900	30,000*
Sector	Jordan	Syria	Lebanon	Kuwait	Saudi Arabia	United Arab Emirates	Egypt
Agriculture	66	7.9	10.7	2.2	3.4	N.A.	4.5
Industry	5	20.7	13.9	22.7	9.0	5.5	8.7
Construction	2.3	17.9	24.4	10.8	11.3	23.2	4.8
Trade	6.7	11.2	11.7	15.1	7.3	10.0	20.0
Transport, Storage	3.7	5.5	N.A.	6.5	N.A.	4.0	12.1
Community, Social and Personal Services	14.2	27.3	31.0	36.1	56.8	45.9	32.1
Others	2.1	9.5	8.3	6.6	12.2	11.4	17.8
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Estimates based on prevailing trends

Source: Calculations are based on data extracted from Palestinian Statistical Abstract, 1981, Central Bureau Central Bureau of Statistics, Damascus, Syria.

TABLE (6.13)

Total new jobs required during 1st Decade of the Palestinian State

	For those at present employed in Israel	Improvement in male participation rate	Improvement in Female participation rate	Returning Exiles	Natural Increase	Total
1985	15,600	4,800	6,200	33,350	9,430	69,380
1986	15,600	4,800	6,200	33,350	10,750	70,700
1987	15,600	4,800	6,200	33,350	12,080	72,030
1988	15,600	4,800	6,700	33,350	13,440	73,390
1989	15,600	4,800	6,200	33,350	14,840	74,790
1990	-	-	-	33,350	16,290	49,640
1991	-	-	-	33,350	17,780	51,130
1992	-	-	-	33,350	19,310	52,660
1993	-	-	-	33,350	20,880	54,230
1994	-	-	-	33,350	22,520	55,870
					TOTAL	623,820
			Number employed in Occupied Territories in Base Year			156,500
			TOTAL EMPLOYMENT IN 1994			780,320

TABLE (6.14)

Availability of Water[1] and Labour[2]

	Available Beginning of Year		Requirements - Labour						Requirements water		Surplus	
	Labour	Water	Housing	Hospitals	Schools & further ed.	Other infra-structure	Maintenance	Agriculture	Non-Agriculture	Agri-culture	Labour	Water
1985	69,380	900	52,280	5,770	71,620	32,420	6,480	7,910	9	91.0	-107,000	800
1986	140,080	900	53,169	5,860	73,220	33,080	13,100	16,070	19	97.8	- 54,400	783
1987	212,110	900	54,060	5,960	73,780	33,450	19,790	24,230	40	105.8	+ 800	755
1988	285,500	900	55,000	6,060	75,370	34,110	26,610	32,390	84	113.0	55,960	703
1989	360,290	900	55,960	6,160	77,060	34,790	33,570	40,790	178	121.5	111,960	601
1990	409,930	900	48,600	3,600	59,060	27,810	39,130	49,450	193	130.6	182,280	576
1991	461,060	900	49,650	3,700	60,840	28,550	44,850	58,910	210	140.4	214,560	550
1992	513,720	900	50,700	3,810	62,720	29,310	50,700	68,650	229	151.0	247,830	520
1993	567,960	900	51,780	3,930	64,500	30,050	56,710	78,680	248	162.3	282,310	490
1994	623,860	900	52,900	4,050	66,470	30,850	62,900	89,020	270	175.0	317,670	445

1) Water in Million Cu. Metres

2) Labour in Man/years

CHAPTER 7

7.0 Capital requirements

7.1 In the previous chapters, we have dealt with the various constraints on, and the factors favouring, the development of an independent Palestinian State. For consistency, we have maintained assumptions concerning population trends and job requirements as in previous work completed as part of the same programme as that covering this project. 1/

7.2 The forecast population level in the first year of independence, postulated in 1985, is 1,372,450 (see Table (7.1)). The GNP per capita in 1980 in the Occupied Territories was 30.3% of that in Israel, which was $3,617, at 1975 prices, i.e. $1,096. Using these figures, and assumed increases in population during the reconstruction period, we may test the capital required and the capital labour ratios which will result from differing assumptions regarding the growth in GNP per capita, remembering that remittances from abroad and earnings from Israel will decline as exiles return.

7.3 All evidence is that the current average capital/output ratio is extremely low, probable at or below 1.5/1. We have no data on this, but luckily our concern is more with the incremental capital output ratio 2/ need to attain the level of GNP required during the reconstruction years.

7.4 The incremental capital/output ratio for countries at the same level of development is usually around 3., and this was the figure adopted by Kabursi. "Is an Independent Palestinian State Economically?" (Kubursi - A. (MacMaster University, Canada) International Conference on the Question of Palestin 1983.) Also, like him, we use a savings/income ratio of 15%, as this too accords with observations on other countries in the region in a similar stage of development. It is very difficult to make any meaningful analysis of the situation in Palestine itself, due to the many distortions mentioned elsewhere in this report, and also due to the lack of investment incentives and tendency for the population to sent their savings out of the country. However, it would be reasonable to assume that given such ratios, and a national increase in population of around 3%-3.5% then the level of GDP could at least be maintained, and some improvement could be made in existing capital, especially social capital, without recourse to extra borrowing (unlike Kubursi, we assume that the savings ratio do not include the allowances for depreciation, so that savings can be diverted to increasing capital stock). This is a heroic assumption, and allows us to concentrate on the capital needed to cater for the returning exiles and for the population at present commuting to Israel to work.

7.5 We have shown elsewhere (Chapter 4) that of total GNP up to 25% is provided either from remittances or from employment in Israel. Our estimate is that about 10% is from the former and 15% from the latter. If we assume a constant GNP per capita from 1980 to 1985 (it has stayed remarkably constant for 1980-1981-1982, see Appendix 1) then the total GNP in 1985 will be $1,504mn at 1975 prices. Taking this as a base we may calculate the capital requirements under differing assumptions on growth rate, bearing in mind that

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1/ See Review of Economic Conditions of the Palestinian People in Israeli Occupied Territories. Khouja M.W. and Sadler P.G. UNCTAD 1981, and Options for Development, Palestine. Sadler P.G. and Abu Kishk B. UNCTAD, 1982.

2/ ICOR.

much of the increase will need to be satisfied from the industrial sector. We also maintain the assumption that 50% of exiled Palestinians will return over the first decade of independence, and that those at present employed in Israel will be absorbed into the Palestinian economy during the first five years (See Sadler and Abu Kishk, Options for Development, op.cit.). Thus, remittances will fall to 5% of GNP over the decade while 15% of GNP, at present satisfied from wages earned in Isreal, will need to be earned at home by the end of the first five years.

7.6 If the division of GNP in 1985 is as it was up to 1980, we may expect that of a GNP of $1,504.2mn, $150.42mn is met from remittances and $225.63mn from work in Israel. We may expect that within 10 years $75.21mn of remittances will be replaced by home production, which will therefore need to increase by $7.52mn each year, needing extra capital of $22.563mn each year to accomplish this (i.e. extra output x3, the ICOR). To compensate for the loss of wages earned in Israel will require increased home production of $45.13mn during the first five years, requiring extra capital of $135.39mn per annum over those years. To cater for returning exiles, there will also need to be an extra level of investment, so that on the assumed return of 145,000 annually, the growth in GDP to cater for them at the constant level of $1,096 per capita will be $158.92mn annually, requiring a capital input of $475.76mn per annum over the decade. Thus, from 1985-1989, there will be a need each year for $135.39mn + $7.52mn + $476.76mn or $619.67mn. From 1990-1994 only the latter two will be needed, i.e. $484.28mn per annum.

7.7 When considering growth in GNP per capita, then we must allow that increased capital input will be needed for this also. Tables (7.1) and (7.2) show the total requirements per annum under assumptions as to growth rates, and maintaining the same savings propensity and ICOR as above.

7.8 Inevitably the figures in Tables (7.1) and (7.2) are indicative only, in that variations in the assumptions can have quite appreciable effects on the final figures. However, the magnitude of the problem facing the reconstruction of an economy such as Palestine's with a large influx of former exiles, cannot be ignored, and the role of the industrial sector, which needs to carry the brunt of this reconstruction, must be made clear.

7.9 It is in the light of these requirements that we must examine the form of industrial developments best suited to serve Palestine's future development, and consider the most appropriate form of organisation of the industrial sector to bring about the transformation needed during the reconstruction period and the period beyond.

7.10 It is interesting to note how the external capital requirements alter as the postulated increases in growth rates are applied. For instance, in order to maintain GNP per capita at a constant level will require an average of around $550 million per year. A modest increase of 2 1/2% per year would cost around $750 million, but a more rapid growth rate would see costs escalating very quickly. Again it must be emphasised that changes in our assumptions may change this situation. For example:

> (1) Could we expect a higher propensity to save as incomes increased, thus reducing demand for outside capital? This may be especially relevant to the figures for the higher growth rate of 5%, where the government may be able to increase marginal taxation to support infrastructural development, or individuals may increase their savings rate voluntarily in the face of rising incomes;

(2) The effect of technological change will be more significant as the level of investment, especially in industry, increases. This will provide some growth without recourse to capital expenditure. This may also be relevant in the managerial sphere, in that as population expands and the society becomes more industrialised, factory organisation may become more common, economies of scale will be experienced, and also it could well be that much of the slack and inefficiency in existing small scale activity could be shaken out;

(3) We must assume that many returning exiles will have some capital available, and that this will be transferred to Palestine, either in monetary or real form. No reliable estimate can be put on this figure, but again this will reduce the amount required from sources which may be termed "outside".

TABLE (7.1)

Capital Requirements and Shortfall, 1985-94, with Growth in GDP Per Capita of 2½%

Year	1 GNP Per Capita ($000s)	2 Population at beginning of year	3 GNP ($mn)	4 Change in GNP ($mn)	5 Loss of Remittances & earnings from Israel ($mn)	6 Total change in output is change in GDP ($mn)	7 Increase in GDP generated by saving ($mn)	8 Capital Shortfall ($mn)
1985	1.096	1,372,460	1504.2	246.1	52.6	298.7	75.2(1)	670.5
1986	1.123	1,558,624	1750.3	264.4	52.6	317.0	87.5	688.5
1987	1.151	1,750,382	2014.7	283.8	52.6	336.4	100.7	707.1
1988	1.180	1,947,893	2298.5	304.6	52.6	357.2	114.9	726.9
1989	1.210	2,151,330	2603.1	324.4	52.6	377.0	130.2	740.4
1990	1.240	2,360,870	2927.5	347.5	7.5	355.0	146.4	625.8
1991	1.271	2,576,696	3275.0	372.1	7.5	379.6	163.8	647.4
1992	1.303	2,798,997	3647.1	395.2	7.5	402.7	182.4	660.9
1993	1.335	3,027,967	4042.3	425.8	7.5	433.3	202.1	693.6
1994	1.369	3,263,806	4468.2	452.5	7.5	460.0	223.4	709.8
1995		3,506,720	4920.7					

(1) On our assumption of 15% savings ratio and ICOR of 3, each year's increase in GNP will generate extra savings which increases investment and therefore output in following years.

TABLE (7.2)

Capital Requirements and Shortfall, 1985-94, with Growth in GNP Per Capita of 5%

Year	1 GNP Per Capita ($000s)	2 Population at beginning of year	3 GNP ($mn)	4 Change in GNP ($mn)	5 Loss of Remittances & earnings from Israel ($mn)	6 Total change in output (i.e. Changing GDP) ($mn)	7 Increase in GDP generated by saving ($mn)	8 Capital shortfall ($mn)
1985	1.096	1,372,460	1504.2	289.8	52.6	342.4	75.2[(1)]	801.6
1986	1.151	1,558,624	1794.0	320.5	52.6	373.1	89.7	850.1
1987	1.208	1,750,382	2114.5	357.4	52.6	410.0	105.7	913.1
1988	1.269	1,947,893	2471.9	393.7	52.6	446.3	123.6	969.3
1989	1.332	2,151,330	2865.6	437.3	52.65	489.9	143.3	1039.8
1990	1.399	2,360,870	3302.9	482.3	7.5	489.6	165.1	974.2
1991	1.469	2,576,696	3785.2	530.9	7.5	538.3	189.3	1047.2
1992	1.542	2,798,997	4316.1	586.2	7.5	593.7	215.8	1133.8
1993	1.619	3,027,967	4902.3	646.2	7.5	653.7	245.1	1225.9
1994	1.700	3,263,806	5548.5	711.0	7.5	718.5	277.4	1323.6
1995	1.785	3,506,720	6259.5				313.0	

(1) On our assumption of 15% savings ratio and ICOR of 3, each year's increase in GNP will generate extra savings which increases investment and therefore output in following years.

Notes to Tables (7.1) and (7.2)

(1) GNP per capita. This shows the GNP per capita increasing annually by the proportion shown at the head of the tables.

(2) Population at beginning of year. Anticipating a return of 145,000 people per year, and allowing for a natural growth of 3% in the population at the beginning of the year, this column shows the population expected at the end of each year shown.

(3) GNP. This is (1) x (2) above, and is the GNP necessary to maintain the GNP per capita shown in (1) above.

(4) Change in GNP. The interest required in the year to reach the GDP of the following year, e.g. in 1985, Table (1) $246.1mn is required to increase GNP from $1,504.2mn to $1,750.3mn, the GDP for 1986.

(5) Loss of remittance and earnings from Israel. We know that some 15% of current GNA is earned by labour commuting to Israel, and about 10% is from remittance by Palestinians living abroad. We postulate that the first will be phased out during the first five years of independence, and the second will be reduced by 50% as that portion of the diaspora returns. This column shows the total of the two for each year.

(6) Total change in output. This is the extra output required to make up the increase in GNP and to compensate for loss in GNP caused by reduction shown in (5).

(7) Increase in GDP generated by saving. On the assumption of a 15% savings ratio, and an incremental capital output ratio of 3 to 1 then this is the amount of increase in GDP we would expect to generate from the savings in that year.

(8) Capital shortfall. By subtracting (7) from (6) we obtain the extra output required but which cannot be met by capital generated by savings. With an ICOR of 3 to 1, we require three times the extra output in the form of capital if the required output is to be forthcoming. This shortfall is shown in column 8.

CHAPTER 8

8.0.0 Further problems facing industrial development

8.1.1 Most of the problems facing an independent Palestine and the development of its industrial sector are dealt with under other Chapters in this report. The adverse legal and administrative system, the low level of current industrial organisation, the distribution of productive activity, the small size of productive units, and the absence of so many of those leading industries on which long-term growth must depend. All these are starkly evident.

8.1.2 There is another area, however, to which attention must be given, and this may be described as the "general infrastructure of development", including the channels for investment, the inculcation of entrepreneurial spirit, labout specialisation, managerial and labour organisations, research and innovative bodies, and above all the general dynamism which makes the whole system work.

8.1.3 The lack of an investment climate has a number of facets:

(1) After occupation, the Egyptian and Jordanian banks terminated their activites, transferring their local accounts to their headquarter banks outside the Occupied Territories;

(2) Israeli banks were allowed to function in the Occupied Territories, but only at a low level, concentrating on the straightforward functions of clearing accounts through banks in Israel for imports and transactions between Israeli businesses and those in the Occupied Territories;

(3) Both Jordanian and Israeli currencies were permitted to circulate, but in view of the differential in the rates of inflation, the former was favoured for saving and hoarding, while the latter was used for immediate transactions. Account holders would prefer to hold balances in Jordanian dinars, and consequently any savings were transferred out of the country where possible and into Jordanian banks;

(4) The abnormal level of inflation, especially of recent years, has meant rapid depreciation of any balances held in Israeli shekels, and also encouraged very high rates of interest. Borrowing in shekels for investment, especially of a long-term nature, would be extremely risky, given such high rates of interest, yet all investment developments need the approval of the Military, who would require disclosure of sources of investment funds when considering any proposals;

(5) The level of inflation also influences attitudes toward credit and debt. No one is willing to give long-term credit without substantial financial prospects, and everyone finds it in their interest to delay payments as long as possible. Neither is conducive to a stable investment flow. Also, there is a severe distortion of real profit levels on which taxes are levied. High profits in money terms may leave the entrepreneur with a net loss in real terms after taxes have been deducted;

(6) The lack of specialist investment institutions apart from the banks, is also a severe handicap. We have mentioned elsewhere (Chapter 3) the suppression of the co-operative movement, but the general lack of those institutions normally associated with industrial investment (credit institutions, merchant banks, stockbroking, finance houses) denies the industries in the Occupied Territories access to specialist knowledge and advice as well as to finance itself.

8.1.4 All these factors add up to a general picture of stagnation which becomes self-fulfilling. There is no investment, so there is no development, so no one wishes to borrow for investment, etc. Previous studies (see a survey of Industries in the West Bank and Gaza Strip, H. Arwatani, Birzeit Publications, 1979) draw attention to the lack of demand for investment capital, and show how most firms rely on personal finance for investment. This is due in the main to disinclination to invest rather than a sufficient supply of funds, and it is self-evident that lack of demand does not imply lack of need. There is a general disinclination to innovate, or to expand.

8.1.5 The lack of any organisation, either of entrepreneurs or of labour, creates a general atomisation of activity, and perpetuates the general picture of small-scale productive units. Combination for the purposes of rationalisation and specialisation is most difficult without the means of contact and prior discussion, and it is generally through such organisations that information on new products, materials, and techniques are disseminated. The firms in the Occupied Territories are thus denied this service also.

8.1.6 There is little doubt that given any attempt to industialise in an independent Palestine the lack of all these facilities will soon be most acutely felt, and would be a severe curb on industrialisation and development generally. Further, many are not organisations which can be made to work by law or edict. They depend for their efficient operation on co-operation by members and their willingness and ability to respond to need. This usually requires a long period of growth and development in which the organisational structures have grown up as local requirements have made themselves felt. Consequently, early priority must be given to facilitating and encouraging such developments.

CHAPTER 9

9.1.0 A strategy for industrialisation

9.1.1 Throughout this report we have stressed that the problems which will face an emergent Palestine are in many instances unique, so that any planning which is undertaken must have these problems in mind, and include their solution as part of the overall national objectives. Planning the industrial sector, therefore, must include as part of the sector's objectives the contribution which it may make to those national objectives.

9.1.2 Given the low known natural resource base, the virtual absence of any energy resource, and the high level of employment expected to be required by the returning population, we have postulated that Palestine would need to [illegible] necessary to offset the loss of remittances by those who formerly worked abroad but will be returning to Palestine, and also to compensate for the wages formerly earned by those employed in Israel and who may take up work in their own land.

9.1.3 We have postulated the following national objectives to which this sector whould be expected to contribute.

9.1.3.1 The need to upgrade incomes and living standards of the indigenous population. To date these have been low, and largely derived from agriculture or else from low level activities often well below the skills and mental capacities of the general labour force. A developing industrial sector will also add a dynamism to the economy by offering greater reward to those who progress within it and provide a further career structure for young people. In many ways, too, it can be seen as a modernising force which can help traditional societies make the transition to a growth orientated approach to their development.

9.1.3.2 The need to provide returning exiles with employment. Even though there will be much reconstruction and general infrastructure work to be undertaken (hospitals, roads, housing etc.), this will need to be paid for, and cannot occupy more that a percentage of the labour force. The remainder will need employment, and it must be employment in providing goods and services which can be marketed, especially abroad, as mentioned. In doing so, the activities should be as sparing as possible in the use of capital. This will be in short supply, and must be husbanded.

9.1.3.3 The need to integrate the returning population with those resident. This is concerned with the avoidance of a problem rather that the solution of one which exists. The process of industrialisation, while providing for the returning exiles, must also ensure that benefits flow to the existing population, by employment opportunity, by using locally supplied materials, or by using and developing local marketing channels. Especial care must be taken to ensure that the rapid influx of population, combined with rapid industrialisation, does not cause the development of enclaves in which one section of population, in this case probably the returning migrants, get most of the benefits and become a society largely cut off from the rest of the population who have little share in the progress which industrialisation offers.

9.1.3.4 The need for equitable regional development. This has a special significance in view of the diversion of the presently Occupied Territories into the Gaza Strip and the West Bank. Each has its own special attributes. Gaza Strip has a seaboard, and also the port of Gaza. The West Bank is landlocked, but has access to the Gulf markets via Jordan (we would hope that in an independent Palestine some arrangements could be made for physical communications between the two areas, but this cannot be assumed). The choice of developments, at least as far as choice is possible, should ensure an equitable flow of benefits to residents in either area.

9.1.3.5 The need to cater for a period of reconstruction while setting a base for the future. This is largely self explanatory, but the two objectives have to be borne in mind at the same time. To dwell only on problems of reconstruction in the intial stages would see Palestine at the end of a reconstruction period with a base totally unsuitable for future long term growth. Yet to expend all one's efforts in catering for the long term would result in economic and social pressures during the period of the return of the [illegible] therefore, must seek to take a [illegible]

9.1.4 We note the various levels of capital shortfall which may be anticipated under various assumptions of population increase and growth in GDP in Tables (7.1) and (7.2), and in Table (6.13) we note the suplus of labour which will occur under similar assumptions. The industrial sector will be called upon to find employment for much of this surplus labour, yet this can only be achieved by a continued injection of external capital. Consequently, we would postulate that much of this would be injected as venture capital by outside investors, although we must not overlook the availability of capital being made available by returning Palestinians or Palestinians with international interests who would invest in their own country. In any event, this investment must show reasonable prospects of profit, and this will require, inter alia, the provision of suitable industrial infrastructure which will require quite extensive public investment (power, roads, factory estates, etc.). However, due to the need to keep the capital/labour ratio low in the early stages, we would advocate a strategy based on the following:

(1) The organisation and development of workshop type industries, especially during the early years of reconstruction;

(2) A concentrated development of agricultural output, not only to feed the increasing population but to provide inputs into agro-industry;

(3) The development of agro-industry, based on upgraded and new activities and also new crops;

(4) An early and continuous development of tourism;

(5) Modernisation and development of quarrying stone cutting and marble polishing;

(6) The development of assembly-type industries, with imported semi-prepared inputs, and having both inputs and outputs which are easily transportable;

(7) Specialist activities to ensure employment for qualified labour.

Taking each in turn:

9.1.5 (1) Organisation and development of workshop industries

These can cover garment making, knitting, shoemaking, light engineering, small tool manufacture, carpentry, and craft industries. While each has its own characteristics and will cater for a different type of market, we have already made recommendations on the development of this type of industry prior to independence, and to the current plans for active assistance to such development which is available from Palestinian quarters. Thus, at independence, these activities will develop from an established base.

9.1.5.1 There will be much need for market development, however, and organisation of production, possibly by grouping workshops into co-operative groupings or associations, must be undertaken not only to economise on buying of materials and use of infrastructure, but also to provide channels for product quality control for export and for arranging efficient marketing both at home and abroad.

9.1.5.2 While we have stressed the export possibilities of this type of [illegible] borne in mind that each type mentioned has a product for organisation can be made more flexible in its operation, and can come "on stream" much more quickly than the larger type of factory, so that this in itself will be an important attribute. It will also permit a better distribution of industry so that over-concentration will not lead to rapid urbanisation with the town breaking its links with the country.

9.1.6 (2) Increased agricultural output

We raise this point here, even though one may assume it ought to be dealt with under "agriculture", as we feel it is the key to so much future agro-industrial development. We would advocate not only the upgrading of existing crops, and an increase in their output with increased population, but also an earnest investigation of other crops specifically for imports to agro-industry. We have mentioned previously in this report that this is also an area in which there is current investment taking place, but we would stress the need to investigate new methods of increasing productivity, such as protected agriculture (polythene covers, etc.), low water using techniques (drip feed, hydraponics) and new fertilizers. These could increase the productivity per hectare of good land immensely, but care must be exercised to ensure that capital inputs are kept low, and that labour is kept at a high level. Many of the modern techniques introduced from developed countries have gone hand in hand with mechanisation, and therefore reduced labour inputs. This is not necessary, and should be guarded against, especially in early years of labour surplus.*

9.1.7 (3) Development of agro-industry

There are a number of existing activities which may be upgraded and developed, not only with a view to improving the product but also to increase value added. We have drawn attention to some of these in Chapter 5, dealing with the improvement of the current situation. These include olive oil pressing, citrus packaging, sesame oil, grape juice syrup extraction, and dried fruit including raisins. The market for many of these products is changing rapidly, especially regarding the form in which each product is required. Olive oil of good quality should be ready, under a brand name and in an appropriate container, to be placed on a supermarket shelf rather than exported in bulk; a state in which it can only be used in industry. Good quality dried fruit is similarly required ready packaged and treated in a way that it will not deteriorate in transit, or awaiting sale. The upgrading and development of this part of the industry must start at the marketing end and will require deft organisation, almost certainly through a government sponsored agency. As to new products, these will need identification, especially through market observation, but the new techniques of drying vegetables, freezing, and even pre-packaging of whole meals, could be investigated and the assistance of one or other of the new technological research institutions in the Arab world sought, to choose new varieties of crops which would suit the Palestinian situation, and for which markets can be identified. The possibilities of canning, preparation of ketchups, pickles and chutneys are mentioned merely as illustrations, but there is no doubt from general market studies that there are good possibilities of early returns from such developments, and that they would not be high users of capital.

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* The author is grateful to Dr. Imadi, Director General of the Arab Fund for Economic and Social Development, for drawing attention to this point.

9.1.8 (4) Tourism

This sector is one in which early and good foreign exchange earnings could be expected. There are many indigenous advantages which could be exploited. The coastline on the Gaza Strip is suitable for development of the seaside holiday resort type of tourism, while the West Bank is the site of many of the Holy Places. Also, there are possibilities for joint itineraries, or multi-centre packages, notably with Jordan, the site of many antiquities.

9.1.8.1 Tourism is a labour intensive industry, and is also one which can attract foreign capital. There is much Arab capital already being invested in North African Arab countries in tourism ventures, and it would be reasonable to assume that such capital would be forthcoming for tourism in Palestine also. It must be remembered, however, that tourism can be demanding of certain public services, notably water and power, at certain peak periods of the year.

9.1.8.2 The perceived benefits of tourism are such that a special study might well be devoted to it: the types best suited to the Palestinian situation, the indigenous advantages to be exploited, and the requirements in terms of inputs. An inventory of projects suitable for foreign investments could be prepared, at least in outline, together with estimates of the requirements of services and utilities.

9.1.9. (5) Quarrying, stonecutting, and marble polishing

The availability of good building stone and other materials is well established, and there is no doubt that during a reconstruction period Palestine will need to obtain many raw materials for building very quickly. On an assumption of a return of some 50% of the diaspora in ten years, and also accounting for natural increase, we have calculated elsewhere (see Sadler and Abu Kishk: Options for Development, Palestine, UNCTAD 1983) that the population of the Occupied Territories will almost triple in ten years. Also in the same volume the need to upgrade existing housing stock and to provide for overcrowding is noted. The total extra housing capacity needed is assessed, and it is truly great. It is obvious, therefore, that all activities related to building will be under strain.

9.1.9.1 It is fortunate that Palestine has good resources of building materials for exploitation, and modern methods enable these to be exploited to advantage, even for export. Whereas cut stone blocks cannot be exported to countries far distant due to their weight, new techniques of preparing facings for bonding to concrete blocks open up great possibilities. Simililarly with marbles. The techniques of cutting and polishing, and also of mosaic manufacture, allow sufficient value added to be given at source to make exporting these products an attractive proposition.

9.1.9.2 It should be noted that such activities already exist, with substantial export to Jordan. The need is for expansion and upgrading with better marketing, to widen the scope for exports.

9.1.10 (6) Assembly-type industries

Conscious of the need to provide many employment opportunities quickly, we suggest that Palestine could be an admirable site for many of the labour intensive types of industries, mostly supplying consumer durable goods and industrial components. Although the West Bank is landlocked, we would presume access will be available to the Red Sea or the Mediterranean, hopefully both. The Gaza Strip itself is quite strategically located, being not far distant from trade routes through the Suez Canal to East and West. Japanese, American and European car firms have been establishing foreign assembly plants, not only to save the developing world, but also each other. The same is true of many other activities (radios, television, electrical motors, refrigerators, housing components, etc. The list is very long).

9.1.10.1 It would be meaningless to home in on any particular activity as being especially suitable, as the main requirements are land, accessibility to markets, accessibility to routes of supply, and availability of an appropriate labour force. Other individual requirements (for example loading and holding facilities for motor cars) can easily be provided. Given that the main requirements are available, then an expressed willingness to accommodate these activities is most important, and also their facilitation and encouragement by legislation governing export law, rebates, free-of-tax entry of imports intended for exports, and similar concessions. It may be possible to agree the purchase of certain local inputs, or for the incoming organisation to guarantee the training of local personnel. Rules cannot be strictly laid down, as each case needs to be treated on its merits, and a package of benefits negotiated. This requires much skill on the part of the national administration, and carries much responsibility when, as we suggest is best, the rules are left flexible.

9.1.10.2 A strategy often used is the provision of free trade areas. Carefully fashioned, the rules governing these can combine the attributes of export orientated assembly with the benefits of agglomeration and rationalised provision of services. They also facilitate the supervision of activity to prevent smuggling or evasion of rules. However, it is only in the convenience and economies which it provides that a free trade area is justified. All other advantages, especially those to the product, can be granted by law anyway, and the facility to encourage industry to any area where it will best serve the national interest must not be sacrificed in favour of a rigid strategy on free trade areas. However, the possibility should investigated in the Palestinian situation, as there are many markets available in the Arab world, and it would be good business for the oil states to invest in a favourable Arab climate to provide for their own markets. For them, industrialisation at home implies continued immigration and population dilution, and they may find it advantageous to establish plants in Palestine. These could serve not only Arab markets, but could also accept raw materials (plastics, aluminium, etc.) from the oil states, where they are produced under highly capitalised conditions, for manufacture and onward sale of finished products.

9.1.11 (7) Specialist activities

We have included this heading to draw attention to an incipient problem as well as to offer some means for its solution. We dwell in the report on the need to provide for the returning diaspora, thus our emphasis on providing suitable employment. We feel that the main sources of returning exiles will be from the refugee camps and from lowly paid employment. A large number of Palestinians already resident in Palestine are highly trained, and will either work well below their capabilities or will leave the area. These need to be encouraged to stay, and others like them must be encouraged to return. The encouragement of skilled activities (research establishments in agriculture and industry, computer programming, design work etc.) would not have great immediate economic benefit but would have immense social benefit, providing a more cohesive and balanced society, and also having long-term benefits by reducing dependence on outside sources for advanced technical skills and their development.

9.2 Monitoring a strategy

We are aware that the above constitues guidelines and a suggested approach rather than a detailed strategy. Indeed, we would see a full scale development plan as the detailed embodiment of a strategy, and we feel that our suggestions spell out the strategic approach which should be taken to the eventual construction of such a plan. It is concerned with the intermediate goals, and legal and administrative environment, and the general framework rather than the chronological ordering of activities and their introduction which we would regard more as a planning function.

9.2.1 The strategy we advocate, starting with the aim of employment creation and need to maintain social cohesion, the adoption of an open economy, and through to some specific areas for construction of effort to exploit existing advantages in pursuit of those aims, is primarily aimed at the reconstruction period. However, we note with satisfaction that it does not conflict with the current efforts of the representatives of the Palestinian people's efforts to alleviate current problems by such limited development as they can afford, and is in accordance with the steps we have advocated for arresting current deterioration in the conditions of the Palestinian people still living in the Occupied Territories. In fact, many of our suggestions flow logically from these suggestions and efforts. We feel, too, that the type of developments we suggest will give a sound base on which a future, self-sustaining, Palestinian economy can be developed.

9.2.2 As to monitoring the developments themselves, we have touched on this extensively in the chapter on the administrative structure for development. The need will be to monitor not only the fulfilment of the strategy but also the conformity of actual conditions with those assumed when the strategy was formulated. A strategic approach of the form we advocate will allow more flexibility of response than a detailed plan, but will also require the exercise of equal flexibility, followed by quick response, from the administration. For example, if the anticipated number of migrants to return was significantly exceeded in any year, how will they respond? If the provision of utilities was too low so that demand exceeded supply, how will they respond, in both long- and short-term? There are very real possibilities as are many others, under the uncertain conditions surrounding the future Palestinian State.

9.2.3 Monitoring therefore cannot be the usual checking of plan against performance and adjusting future plans to accommodate current shortfalls. It must be a constant checking of changes in conditions and consequent adjustments of actions within the agreed strategy. To achieve this efficiently the monitoring functions must be supported by a response capacity sufficient in speed and efficiency. The identification of means of solving problems is at least as important as identification of the problems themselves, and we would envisage the monitoring body as being able to report to an appropriate body able to take the action recommended.

CHAPTER 10

10.1.0 An institutional framework for indutrial planning and development

10.1.1 Any organisational structure for planning and development must form part of an overall administrative and institutional infrastructure. This infrastructure must be tailored to suit the needs of both the political structure and the developmental needs of the country. We cannot make any appropriate assumptions concerning the political structure of the future Palestinian state, but there are a number of factors common to administrative structures and most political creeds, so that the actual structure of administration units within the states' machinery of administration might be similar, while the way they operate may be quite different.

10.1.2 Included in this overall administrative machinery must be units, or departments, dealing with a large number of economic activites, and also non-economic activities which have a bearing on economic development. It is these units and departments, together with the means by which they communicate and the co-ordinating structure within which they operate, which form the infrastructure, or the institutional framework, for planning and development, and those parts which deal with industrial matters or matters bearing on industry, would form the institutional framework for industrial planning and development within that wider structure.

10.1.3 There are a number of activities common to most types of planning and development structures, and these may be listed as follows:

(1) Planning
  (a) Planning the economic sectors;
  (b) Preparation of feasibility studies;
  (c) Review of project proposals;
  (d) Implementation of industrial plans and projects.

(2) Promotion
  (a) Investment information;
  (b) Provision of incentives;
  (c) Location of industry;
  (d) Industrial estates;
  (e) Advice and aid in financing;
  (f) Supervision of industrial credit.

(3) Technological control and development
  (a) Technological information services;
  (b) Development and transfer of technology;
  (c) Industrial research;
  (d) Supervision of patents and licensing;
  (e) Setting and enforcement of standards;
  (f) Laboratory testing and quality control;

(4) Training and supply of manpower

(5) Advisory extention services and consultancy

(6) Marketing, assistance and export promotion

(7) Industrial regulation and legal supervision

10.1.4 This list is not exhaustive, and has regard to the general requirements for developing countries. Consequently, each country will have special requirements which will give greater or less emphasis to each of the items mentioned, and may also require other functions to be organised on an institutional basis which are not included in this list. This is essentially true of an independent Palestine, which will face the added problems of a returning diaspora and the consequent need for social infrastructural development, the need to disentangle its economy from that of Israel, and the need to mobilise a very large quantity of capital a base on which development can build.

10.1.5 It is important to stress, also, that these and other institutions all form part of an interacting mechanism, so that their individual efficiencies rely to a great extent on the efficiencies of other institutions with which they interact. This is especially so when efficiency is measured according to criteria derived from the overall objective of the economy in society, rather than from the internal requirements of the institutions themselves. The latter concerns operational efficiency (work study, administrative expertise, etc.), while the former are concerned with the social goals of economic growth, social development and cohesion, trade, and so on.

10.1.6 Within the list shown, most activities have some bearing on industrial planning and development, although most are not entirely devoted to either or both. The list does give us a framework for discussion of the main requirements of development planning, however, and such discussions can help to highlight the requirements to which the representatives of the Palestinian people should address themselves if their future plans for industrialisation are to become effective.

10.2.0 (1) Planning

10.2.1 (a) Planning the economic sectors

There is a general need for the planning of economic sectors under conditions of growth to facilitate the allocation of resources between them. Whether this allocation subsequently occurs by a mechanism of central direction or through the operation of a market, there is still much need to plan to facilitate this allocation (infrastructure, utilities, external trade policy, growth of the financial system, etc.).

10.2.2 In each instance there will be the need to have regard to the particular requirements of the state concerned. Thus, in other chapters of this study, we have set out our estimates of the requirements of employment creation, capital and infrastructural needs, similar factors which are peculiar to the Palestinian situation and which are anticipated will hold under conditions likely to be met during the first ten years of the creation of a newly independent Palestinian State. This initial period must be seen as a "setting up" period; one in which the future organisations for planning will be developed, and therefore one in which the allocation of resources between institutions will be as important as the allocation of resources between economic sectors. The formulation of a development plan prior to independence must inevitably be an abstraction, based on many assumptions. The requirements for implementation will include the monitoring of actual physical and structural conditions which evolve and to test whether they conform with the assumptions under which the original plan is drawn. It will be the duty of the development planning organisation to redraw the plan in the light of changed conditions as they unfold, as well as to formulate short-term plans through which the main plan is implemented. Eventually, too, a long term plan for introduction when the plan for reconstruction terminates must be formulated, so that this too will be the task of this planning institution.

10.2.3 It seems obvious that the setting up of such an institution would need to be an urgent priority. It would need to be functioning on the first day of independence, as the problems with which it will deal will begin on that date. Indeed, much planning needs to be undertaken by the Palestinian people before independence, and the planning activities of their current representatives is already well co-ordinated. Accordingly, their plans, and others being formulated, should always have in mind that such an organisation will be implementing and monitoring in the future.

10.2.4 The type of expertise necessary for such an institution will vary depending upon the other institutions set up and their relationship with it, but there is no doubt that as well as the usual skills of economic planning there will be need for more than the usual skills in demography, financial planning and budgeting, and also access to advice in most aspects of industrial organisation and in forward planning of utilities and services.

10.2.5 (b) Feasibility studies

This is a function which is currently well defined, and the techniques have been developed to a high degree of sophistication, at least from the point of view of the economist. Project analysis, which is an essential part of most feasibility studies, forms a part of most university economic curricula, especially at the post-graduate level. Here again, strict regard must be had of the objective function and the criteria derived from them. Of the two commonest methods used (the UNIDO Guidelines and the Little and Mirrlees), the objective functions are the maximisation of the future flow of consumption and the maximisation of the flow of investable social surplus respectively (see for a comparison of the two, which indicates that under most assumptions the two will lead to the same ranking and the same choice of projects). Whether either of these objective functions above will be sufficient in the case of Palestine, especially during the reconstruction period, however, is doubtable, and is a further point to which the representatives of the Palestinian people must address themselves. The requirements of development under conditions anticipated may not be met in the same way as requirements under the conditions normally found in the great number of developing countries for whom the methods of analysis were developed.

10.2.6 At least two approaches are possible, and ultimate choice of an approach will depend on far greater inquiry than can be accomplished at this point. The first would be to adopt certain constraints which it is agreed should govern project selection during the reconstruction period. These should have regard to the need to find employment for the returning diaspora, the need to substitute new employment opportunities for those at present employed in Israel and the paramount need to develop exports to substitute for earnings from Israel as well as to pay for imports which are likely to grow and are unlikely to be covered in the short run due to lack of currently known and developed local resources. Such constraints could be imposed, but then the operation of the usual methods would not provide us with any shadow costs of these constraints. We would not know the returns, as defined in terms of the appropriate objective functions, which could be obtained by relaxing some constraints in favour of others. For example, if a balance of payments constraint were relaxed, what would it mean in terms of extra borrowing, and would the results be worth it?

10.2.7 A second alternative would be to maintain the objective functions of the method chosen, but pay very strict attention to the way in which the outputs and inputs of the various factors used are related to the numeraire quantity. Neglect of this point was common, especially in early days of project analysis, but it would be more than usually serious in the case of Palestine. For example, a method intent on maximising the re-investable social surplus may take the view that free foreign exchange in the hands of the government should be the numeraire. Free foreign exchange in the hands of the general public then has a value which is some fraction of this. Income spent on consumptions is treated as a cost, as it draws on what would otherwise be surplus if it were saved, etc. The relationship between these and the numeraire is not always scientifically derivable, and arbitrary valuations must be used. If these are agreed a priori then comparison of projects with each other should lead to consistent choice.

10.2.8 It is suggested that the special constraints envisaged during the reconstruction period in an independent Palestine should be examined with a view to their absorption into one of the accepted methods of project analysis so that the value of the constraints will always be weighed against the cost of their imposition. This is especially important if it is considered that the importance of the constraints will diminish with time, and that, for example, in ten years the economy will be established to the extent that the normal criteria, and consequently the normal maximand will by then be sufficient. An appropriate time decay factor can be used in such cases. To use the alternative first mentioned, where a normal maximand is used under constraints, will see the following decade begin with a distorted economy which will give different values to the factors of production than would otherwise apply, and which will inevitably incur costs in its correction. (UNIDO may consider that their Guidelines should be examined as a project to see whether the constraints desired by the Palestinian people can be accommodated in the way suggested above).

10.2.9 (c) Review of project proposals

Such a function would be varied, and would go under many different names. Fundamentally, there is a need to bridge the gap between the plan and the feasibility study. Generally, project analysis takes its parameters from national sources, and assumes that the products and inputs can be priced at levels which are not altered by the Project's impingement on the economy or by other projects undertaken at the same time. Essentially, outputs and inputs are treated as marginal additions, and the assumption made that as prices are cast in world price terms (or in adjusted domestic prices) exports or imports will make up surpluses or shortfalls.

10.2.10 Within the planning process, and especially in the Palestinian case, there will be a paramount need to ensure that projects are introduced in the correct sequence and come "on stream" at the correct time. The correct mix of inputs and outputs needs to be assured as the plan is being implemented over time, and each project will have its part to play in its sector as a contribution to sectoral output, and in society as a contribution to income, saving, and employment, and also as a contribution to the balance of payments.

10.2.11 (d) Implementation of industrial plans and projects

This follows closely on (c) but is much more concrete in nature. It deals with practicalities, and requires skills of the industrialists and the technicians as well as those of the economic planner. It requires continual monitoring of projects as well as the initial implementation and instigation, with review both of the projects progress themselves and of their places within the rest of the plan. This can be accomplished in a number of ways and often the choice of way will be dictated by the overall structure of the planning institution, but the situation we envisage would require this function to be of crucial importance, and in some ways the institutional structure should be updated to facilitate it. The detailed plan, as amended from time to time, will always be the indicative focus of the organisation rather than a blueprint. The reality of performance will rely more on those concerned with implementation and monitoring rather than the initial planners, and it is only if the sequences are right, and the right quality and quantity of performance of industrial projects are achieved, that the overall plan will be given life as the various components at the projects and sector level interact harmoniously with each other.

10.2.12 It is at this level too that we should envisage a constant assessment of performance against the plan, although it may be agreed it should more properly fall under (c) above. The assessment will have two facets at least. One is the performance of a project against targets set. The other is the contribution to the planned objectives measured according to criteria derived from the plan. Whereas under (c) we would envisage project proposals being assessed in this way, here we recommend that the project performances be measured in the same way and according to the same criteria to ensure that performance matches the original expectations of the projects being assessed.

10.3.1 (2) Promotion

Under this broad heading are included diverse aspects of encouraging the genesis of projects desired for a plan's fulfilment rather than monitoring their implementation and performance. This must be an important function in a future Palestine, as with the rate of development we envisage, especially in the growth of total GDP, it would be inadequate for the national administrative organs to await the response of the economy to market signals. Identification of future projects, including those for non-government finance, should be identified and formulated in advance, and either included in an appropriate budget or appropriate investment sought from outside, where necessary encouraged by suitable incentives.

10.3.2 (a) Investment information and stimulation

This is always important, but again in the Palestinian case it takes on a new significance. A firm showing healthy profits can attract more investment, but there would be little past performance to attract investment during the reconstruction period we envisage, which would be a period of transformation rather than augmentation of industrial activity. This difference gives added importance to the correct chronological arrangement and subsequent monitoring of a plan, for the profitability of a project, no matter how efficient its internal organisation, will depend upon the performance of other projects to which it is related. It will depend on the marketing organisation handling its products, on the availability of its imports and their prices, etc. Planning can reduce the risk, but some will inevitably be present.

10.3.3 In the case of Palestine, we would envisage a large input by the international aid institutions (e.g. the World Bank) and also regional aid funds, especially those set up by the Arab petroleum exporting states. Funds available from these sources will need to be stringently rationed and allocated. Often, such funds are project-specific, in that they are provided for an agreed project which has been considered by the aid giving agency and approved. This would have been appraised in the context of the development plan and the country's aspirations, and it is often so that such aid is given to projects in the public utilities and services sectors, and would be concentrated on those utilities and services which provide for industry and commerce, energy and power supplies, bridges, dams, steelworks or other basic industries on which much manufacturing depends. These are the type of projects usually favoured for such financing, and they usually have as part of their aim the subsequent encouragement of private investment in the manufacturing and other industries which such basic investment renders feasible.

10.3.4 An important function which should therefore be allocated to a special organisation, perhaps a "task force" group within a larger organisation, would be the marshalling of information based on the plan and subsequent monitoring reports which would be used in the formulation of projects for which support is to be sought and also for the support of efforts to encourage investment in other projects in the manufacturing sector which would rely on the basic industries for their ultimate success. The role of such a group would be active rather than passive, seeking support and investments rather than being willing to provide information when asked. In many ways, this function is similar to that described in "Promotion" above.

10.3.5 (b) Provision of incentives

This activity is not solely concerned with development policy, and is often crucially dependent upon other policies followed, especially in the fiscal and foreign trade spheres. Incentives for investments can take on a number of forms: tax holidays on profits; grants of soft interest loans; import of raw materials at low or nil tariff; cheap land or utility supplies, etc. These can be universal, or selective, according to the desirability of the industry (high export earner, heavy employment of local labour, etc.) or selective according to location. For example, it may be desired to attract a project to an area for strategic purposes, or to act as a focus to encourage migration from over populated areas. These latter are often dangerous practices, for the incentives are often means to overcome the disadvantage of not locating elsewhere in the same country. There may be little profitability left in spite of the subsidy. However, it may not be high on the priorities of a future Palestinian State to use incentives for these purposes. It will in all possibility be more concerned with getting industry going as quickly as possible.

10.3.6 While we should be aware of the crucial role of incentives in economic development, not much can be written at this stage to guide Palestine's institutional development. This will need to follow decisions on fiscal and other policies.

10.3.7 (c) Location of industry

In the Palestinian situation, this will take on a new meaning. The need for an increase in housing provision, calculated by Sadler and Abu Kishk (Options for Development, UNCTAD 1983), include provision of 36,000 new dwellings per annum at the initial stage of the reconstruction decade, rising to 50,000 per annum at the end of that period. This in itself will require a massive exercise in town and regional planning, and industrial location policy will need to be integrated with overall resettlement policy. The provision of infrastructure and utilities will be dictated very largely by the social requirements of a reconstructing Palestine, and yet a number of industries which may prove suitable for development in Palestine could be site specific, in that they may need to be close to sources of raw materials, energy, or water, or alternatively be close to a port for import-export activity. However, as far as many other industries are concerned, those which can be regarded as "foot loose" are most conveniently sited close to supplies of labour, with the other services being transported to site. This is one of the justifications of the "industrial estate" approach to industrialisation.

10.3.8 (d) Industrial estates

These are usually areas set aside for industrial development, and to which the basic services required for industrial activity (power, water, transport, etc.) are laid on. They can be established for one or all of a number of reasons:

(1) As mentioned above, it may be deemed desirable to establish industry near a source of labour. This may normally increase the private costs of the industrialist, but may reduce the total social cost borne by society if labour had to travel long distances, or even relocate, to work at a site which the entrepreneur may find more financially attractive;

(2) To encourage industrialisation, it is prudent to have available many services so that a factory can start production with the minimum delay. It would obviously be much cheaper to make available services (power, water, etc.) at a few specific sites rather than to have them available everywhere;

(3) Concentration of services in this way helps to reduce unit costs, in that the final costs of infrastructural requirements are minimised per unit of provision, both by the spreading of fixed costs over a greater number of consumers and also the minimising of distribution costs by concentrating consumers close to a source or major distribution point of the service provided;

(4) The provision of industrial estates also facilitates development planning, as they can be provided as part of a sequential programme and if they are programmed so that some are filled as others are started, then the set up costs are minimised also;

(5) When specialist services are needed (computing, standard testing, etc.) or indeed any other services which some firms might be too small to provide by themselves, especially in the early stages of development, common services can best be provided on an industrial estate. This is also true of staff services (clinics, welfare and leisure facilities, etc.).

It is quite common for industrial estates to be provided by the public authorities, and for incentives for investment to be provided by cheap services rather than subsidies. Cheap electricity, low rents, etc., encourage location on industrial estates, and are partly offset by the savings made in the concentration of services in the ways described.

10.3.9 Advice and aid in financing

This function we have largely covered under investment stimulation, except that there we dealt exclusively with investments for new developments. There will be a further need for continual investments for expansion and innovation, and this should be part of the function of a development organisation also. We would envisage in the Palestinian situation that this would be so closely bound with the function of investment stimulation in general that it would be part of the task of the same group. Although it would be differentiated somewhat in that the encouragement of foreign investment to set up factories in Palestine would need a different approach and a different form of expertise from this function, there will still be a need to ration investment resources and to allocate these among the competing ends of new developments and the expansion of on-going activities.

10.3.10 Supervision of industrial credit

Credit too is a competitor for financial resources, but the form which industrial credit will take, and therefore the supervision necessary, will depend to a large extent on the general financial structure of the country. The guaranteeing of credit given by the banks, or subsidies on overdraft rates for working capital, may be appropriate rather than the provision of credit itself. This could be a far more efficient way of maximising the use of financial resources available. The structure of the financial sector will be crucial to determining the form taken by any organisation undertaking this function, but having regard to the need for finance for this and other functions mentioned, some form of Industrial Development Bank, mobilising both private and public resources, and perhaps supported from one or more of the international agencies, could be considered.

10.3.11 Technological control and development

This is a general heading under which a number of aspects are listed, and which, in the Palestinian situation, also have varying significance. Some of the institutional organisations established could, and indeed should, encompass more than one aspect, but it is likely that while some aspects will be extremely important immediately, others will become more important as the economy matures. It is likely also that many will change their emphasis as the economy moves through the reconstruction phase towards maturity.

(a) Technological information services

This function will be of crucial importance under the rapid expansion of industrial development envisaged, and information on competitors, products, on market trends, on the world economic climate, etc., will all be important to industry as well as the usual information on technological advances in production, marketing, methods of production and testing, and changes in types of inputs available. Each industry will have its own particular requirements, and these will need to be refined in conformity with the requirements of Palestine, so that it is important that such an organisation should be well served by technically qualified people. These could well be drawn from industry, or the organisation staff could be a servicing body assisting appropriate industrial organisations. The advantage of the latter would be that highly qualified people would still remain closely involved in industry rather than be creamed off into public service. This would facilitate the mobility of some qualified labour among the top echelons of industry, and would help to offset a tendency often noted in developing countries where a large number of highly qualified people are found in administrative positions while industry is short of their technological expertise.

(b) Development and transfer of technology; and
(c) Industrial research

These may be lumped together, and follow naturally on the previous topics. In the reconstruction period the transfer rather than the development of technology will be most important, although there may often be need for adaptation to Palestinian conditions. An important aspect of this work will be the marrying of available labour to appropriate technology, and the subsequent development of both labour and technology in keeping with a modern industrialising state. One would envisage much of this work would be left to industry, aided by government through an appropriate organisation. But it is certain that close liaison between this aspect and that of technological information services mentioned above will be necessary, especially for the purpose of making available knowledge from the rest of the world. As for industrial reasearch, this has very wide ramifications. Basic research, in which new concepts, products and materials are developed, is often, and many think best, developed within the universities. However, without close liaison with industry, such research can feed only on itself and may be totally divorced from practical applications. Many purists might support this, on the grounds that basic research should be conducted for the sake of knowledge itself, rather than with a view to practical application, but in the scientific field, at least, this is rarely if ever the case, even in the wealthiest of countries. The most basic research usually requires enormous financial backing, and this often comes from industry. Where publicly provided funds are used, there too have usually been provided on the grounds that an imminent practical use is foreseen. Applied research has a number of facets. It covers improvement of existing products and practices, adaptation of other products and practices to different uses, adaptation of the outcome of basic research to practical applications, etc. Here it is more likely that industry would be closely involved, although where there are a large number of small units in a particular industry, this involvement may well be through a trade or industrial association. Wherever possible it would seem preferable for industry to bear the main responsibility for this, with government providing an instigating and supporting role. It is not envisaged that either form of research would require a large institutional organisation in Palestine during the initial reconstruction period, but the duties required of a small organisation indicate the need of a dedicated staff with a very high level of application to the narrowly defined but crucial functions outlined.

10.3.12 Supervision of patents and licensing

At the outset, it would be presumed that patented products would be imported from abroad, so that it will be vitally necessary that a policy on patents and the principles of patent laws should be established early. Industrialists establishing plants in Palestine, or leasing plant to Palestinians, will need to be assured that their patents are secure. In the longer term, as Palestinian enterprise progresses, Palestinian inventions will need to be protected, and policy and law on this too is vital. In fact, the whole basis of patents and licensing in Palestine will need to be established in law before either can have any meaning. Without this, there will be nothing to administer. But two points can be made at this early stage. The first is that as we envisage some state input at least in the research and development activities in industry, this must be reflected in the balance between the public interest and private profit to be protected by patents and licensing. The latter is necessary to ensure that profit is sufficient to stimulate further research and development, while the former should ensure that the public contribution is recognised in the returns to public benefit. The second point is that patents and licenses also have an international dimension, so that we would anticipate that any legislation on these would be formulated in an international context, and international commitments with reciprocal agreements entered into, to protect Palestinian patent rights abroad and foreign rights in Palestine.

10.3.13 Setting and enforcement of standards

For any country undergoing rapid industrialisation this is vitally important. In traditional societies indigenous products are usually restricted to local markets, and production from basic material to finished product often takes place as one operation. The need to enforce standards arises when production is for a wider market, and those who order goods can be assured of the quality of goods they receive. If backed by law, then those who provide goods below standard are generally liable to penalty. This assurance of quality is important to the consumer, who has some guarantee that the goods purchased are satisfactory for his needs, and it is especially important to a producer who includes them in the manufacture of his product. The standard must be high enough to maintain the quality of the standard he requires for his own output. Where the country is export/import orientated, then standards need to be set to ensure that exports are not only up to standard but that the standards conform with foreign rather than home requirements. The maintenance of these standards over time creates a "brand image" for the product and this is an important aspect of marketing which is dealt with below. As for imported goods, quality needs to be maintained if these are to be used as imports into other goods, and for all goods there should be some guarantee of quality to allow comparability with those goods locally produced. The criteria required for the setting of these standards are obviously varied, and depend crucially on the use to which the product is to be put, whether consumed or used as input to production; whether for the home or export market, etc. However, the formation of a proper body to set these standards, with legal power to enforce them, should be undertaken at an early date, and even where standards are to be introduced gradually so as not to affect existing traditional activities adversely, the programme for the introduction of standards should be clear so that new establishments being set up can have them fully in mind, and can make provision for them in their plans, when ordering plant, and contracting for imports, which will be capable of meeting those standards.

10.3.14 Laboratory testing and quality control

This is closely aligned with the previous activity, and is generally, but not wholly, concerned with standards and their improvement. There is also a function, however, of general quality testing to provide information for industrialists or the general public where quality may be in doubt. This is a useful public service, for which a charge may be levied where appropriate, and serves to provide facilities for small establishments not able to undertake their own testing. Where technical skills are in short supply, the functions of quality control for national standards and of testing on behalf of industry can usefully be combined, and both manpower and equipment can be used more economically. Such outside work can make a contribution to overall costs from any charges made.

10.4.0 Training and supply of manpower

10.4.1 It is not suggested that the full educational function of manpower training should be evaluated here. That function must be part of a wider process including primary, secondary and university education. What is needed, however, is a bridge between the educational system and the planning process: the identification of future skill needs, identification of shortages, and the translation of these into proposals for emphasis in the long-term educational strategy. Essentially, it is manpower planning that such an organisation would undertake, and it would liaise with other agencies dealing with manpower supply and education. The long-term activities in the

Palestinian situation, as in many of the functions mentioned, will be less important than the short-term ones of catering for returning migrants and for the reconstruction of the economy generally, but as there will be a need for early expansion of the technical and university education system, the long-term aspects of these functions cannot be neglected.

10.5.0 Advisory extension services and consultancy

10.5.1 The short-term contribution of such a function in the conditions we envisage would be more restricted in scope than one would find in an established economy. Where there are a number of small firms all trying to reorganise themselves or to expand in an industry, there will certainly be a need for some form of service to help. In many ways, this will be an extension of the information function mentioned earlier, and would be little more than the tangible way of ensuring that new information, techniques, and materials are utilised to the full. We would envisage that those engaged in this function would take a positive approach to it, and not wait to be consulted by industry.

10.6.0 Marketing, assistance and export promotion

10.6.1 This is of particular importance to Palestine, if as we expect it will become an export orientated economy. The identification of export markets, the promotion of foreign trade, the translation of market information into development policy, will be crucial functions early on, and indeed are some of those which can be started before independence. When industry begins to develop, its products will need to find their way onto the market quickly, and competition will be fierce. Trade fairs and other export encouraging devices will be necessary, and such an organisation would be charged with this type of function. There would also be need for liaison with bodies dealing with general foreign policy so that exporting and foreign policy could be co-ordinated.

10.7.0 Industrial regulations and legal supervision

10.7.1 This will cover a whole range of activities, and need not necessarily be confined to this organisation: labour laws, safety regulations, hours of work, pollution control. All these are socially based requirements, and need to be assessed by reference to their effect on production costs and on prices compared with those of competitors on world markets. The costs of production are always high during start-up periods, and although it is tempting to adopt very high standards for social reasons, the added effect of these can often be very detrimental. The right initial balance and phased development of regulations should be the aim.

APPENDIX 1

This appendix contains a discussion of the comparative importance of the industrial sector in the Occupied Territories, Israel and Jordan. In addition, some tests of feasibility, based on an intuitive analysis of what would be feasible, are conducted to test the requirements for a rapid expansion of the industrial sector in a future independent Palestine. These were prepared in order to facilitate a more quantitive approach to this project than subsequently proved possible due to the restrictions experienced in conducting the survey, and were part of a wider preparatory paper drafted on a computerised basis for the study which, for the reason given, was not used. Nevertheless, the part reproduced in this appendix may prove of interest in view of occasionally extravagant aims which are set for Palestinian development in some of the partial analyses undertaken.

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Appendix 1

A.1 Comparison of industrial sectors of Occupied Territories, Israel and Jordan

A.1.1 The structure of the industrial sector in Palestine is not recorded in official statistics in detail, and this is one of the reasons why a separate investigation is being undertaken as part of this study. Even when the results of that have been analysed, they will still only provide us with a base on which to build predictions and suggest policies for the future. As shown in the previous study on Planning Options,* the size of the Palestinian population and its investment requirements, both for reconstruction and development, will alter so markedly during the first ten years or so of an independent Palestine that the changing of that base, both in size and composition, will occupy much of the reconstruction and development effort expended during that time.

A.1.2 We can examine the feasibility of a proposed development strategy in a number of ways, but the choice of a strategy itself may be both dependent on and be a condition of the economic viability of an independent state. Viability is a difficult concept to incorporate in such a study as this. It has been described as... "having economic characteristics which permit it to experience sustained growth and rising welfare per capita". 1/ This is a useful definition for an onlooker, or a would-be supporting agency that is being asked to invest in such an economy. Such agencies wish to know "is the economy able to sustain itself and eventually repay, or replace, the investment?" Very rarely is no growth possible, but the level of consumption which a people is willing to tolerate in order to provide a surplus for investment to make growth possible is a crucial determinant of viability within such a definition. Further, the willingness to maintain consumption at an appropriate level may be crucially determined by the "demonstration effect" of the consumption levels and general economic health of neighbours, or other countries with which the general population has affinity or to which it has access. Thus Tuma and Drabkin [2/] not only consider viability to include prospects of growth, but "growth, production and consumption comparable with neighbouring countries having similar resource endowments".

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*Palestine, "Options for Development", UNCTAD, 1982 (unpublished).

1/ Vivian Bull, The West Bank. Is it Viable ? Lexington, Mass., D.C. Heath & Co., 1975.

A.1.3 For the purpose of this study, we have assumed the eventual viability of the Palestinian economy justified by the strength of Palestinian committment to an independent Palestinian State and evident to the world. Our study is concerned with the marshalling of the means to make viability and viable growth possible, and to spell out the requirements, and consequences, of independence and subsequent viability. It must be accepted that viability with consumption and growth levels equal to those of others will not be feasible immediately on independence without appreciable outside help. This will be especially so when we consider the rate of return migration which might reasonably be expected immediately after independence. A convenient test for the requirements to attain viability, and the consequences of its attainment, however, would be to set the GDP of a neighbour as a target for some time hence, and to estimate the requirements in terms of investment and foreign aid, and by implication consumption levels, which could be permitted if that target is to be attained.

A.1.4 This is an approach we have taken as a first step in this exercise, and maintaining the main parameters we used for our previous exercise on planning options [3/] we compare the economies of Jordan and Israel with that of the West Bank and Gaza, and on the assumptions of a ten year reconstruction period and the same return migration rates, estimate the rates of growth in the economic sectors and the economy as a whole which will be necessary to achieve a required goal within ten years. From this, we can continue by estimating the requirements of foreign exchange, the shortfall (if any) in the balance of payments, and most importantly for this part of the study, the growth in the industrial sector which our calculations predict will be necessary.

A.1.5 If we compare what we know of the structure of the Palestinian economy with that of Israel and Jordan, we see immediately how small the industrial sector in Palestine is by comparison with its neighbours. Table (A.1) shows this.

A.1.6 We may assume that the resource endowment of Palestine would not be very dissimilar from that of Israel, and that although Israel may enjoy several comparative advantages, most of these have been created and are not inherent. Most of the current disadvantages of Palestine are likewise created, and are the result of political and historical events of the past quarter of a century. It is these that have given the Palestinian economy its present structure, and the period of reconstruction assumed will not only have to cope with the returning migrants, but also the restructuring of the economy and the removal of those handicaps which are the legacy of recent history. The most immediate differences to note are those between the agricultural sectors in the economies shown in Table (A.1). The percentage for Israel is very low and compares favourably with many high income industrial countries. Jordan is higher, but still low given its lower GDP per capita.

[2/] Tuma, Elias H. and Darin-Drabkin Haim, "The Economic Case for Palestine", London, Crome Helm Ltd., 1978.

[3/] Palestine, Options for Development, UNCTAD, 1982 (unpublished).

A.1.7 For the West Bank and Gaza, and especially the former, the proportion contributed by agriculture is very significant. This relative prominence of agriculture can be attributed to a number of causes but one is undoubtedly the relative smallness of some of the others, rather than its own figures. In the West Bank industry is almost non-existent, and it is still small in the Gaza Strip when compared with Jordan, and smaller still when compared with Israel. By contrast, the construction sector is higher in both than in the other two areas. But, whereas the West Bank compares reasonably well in the infrastructural and commercial services (amalgamated from columns 5 to 8), the Gaza Strip is significantly lower. In the community and social services, they are both much lower than Israel and Jordan, both showing around half that of the other two.

A.1.8 If we wish to test the consequences of a change in structure of the Palestinian economy over the first ten years of independence, with the country seeking to emulate its neighbours by the end of that period, we can perform a few simple tests to give us an initial indication. Unfortunately, these tests have to remain simple at this stage, and must be indicative rather than prescriptive, due to the lack of reliable data on which they may be based.

A.1.9 One of the most telling problems arises from the hyperinflation experienced in the Israeli economy over recent years. Much of the data available on the economy of Palestine is quoted in Israeli Shekels (the Israeli Pound was replaced by the Shekel in 1980). In 1980 the Retail Price Index in Israel stood at 1097.1 with 1975 at 100, and 1978 at 266.4. Time lags or unevenness in data collection can create distortions when using such deflators in the Israeli economy, but when the same deflators are used on the economy of the Occupied Palestinian Territories, then the problems are compounded, for not only are the time lags likely to be longer, but the deflators themselves are likely to be wrongly based. Income levels and consumption patterns are both substantially different in the Occupied Territories from those in Israel.

A.1.10 There is also the problem when considering the relative standards of living in the two economies of the abnormal inflow of funds from outside. There are substantial repatriations of funds to the Occupied Territories, from expatriate Palestinian workers abroad, and a large inflow of supportive funds into Israel, notably from the United States. Gross Domestic Product per capita in the two areas is not, therefore, a good comparison of the standards of living in the two areas. However, if we can make some reasonable assessment of the difference in the standards of living, we can then make reasonable adjustments to gain a more valid comparison. Table (A.2) compares the GDP for Israel with that for the Occupied Territories for the years 1979/80/81.

A.1.11 The ratio of the GDP per capita in the two areas is strikingly stable for the three years shown, with the Occupied Territories being almost exactly 30% of that in Israel. If we were to take the Israeli economy and the GDP per capital as a target for an independent Palestine, we could quickly test its feasibility as follows:

A.1.12 If we assume that the GDP per capita of the Occupied Territories in 1985 to be X, and that of Israel 3.3X and if it is anticipated that the growth of GDP per capita in Israel will be 2.5%, by 1995 the value of GDP per capita in Israel in that year will need to be 2.22X. We have postulated elsewhere a rate of growth in population between 1985 and 1995 of the Palestinian population, assuming an independent Palestine by the former year, of 9.8% p.a. Given the growth anticipated in population, the actual growth of total

GDP necessary to match GDP per capita in Israel by 1995 would be 26.8% p.a. Actual GDP will need to grow to 10.75 times its size in 1985. However, for the proportion of GDP per capita contributed by the industrial sector to match the proportion of Israel by that year would require the industrial sector to grow by 41.0% per annum.

A.1.13 This is merely an illustration of the problem, not a prescription or an aim. Such a growth rate could not really be contemplated. It does, however, show the magnitude of the task facing an independent Palestine. In view of the fact that the industrial sector will almost surely be called upon to provide a major portion of the growth in GDP, in total and per capita, the implications for investment and skill requirements cannot be ignored.

Comparison with Jordan

A.1.14 Comparison of the Palestinian economy with that of Jordan is rendered more difficult due to the differences in currency regimes in the areas. Table (A.3), using 1975 as a baseline, compares Jordan with Israel for the years 1975 to 1981. To find the GDP per capita, the figures for each year were converted to 1975 prices, and then converted to U.S. dollars at 1975 values. This method was adopted to avoid problems which might be created due to fluctuating currency values.

A.1.15 While the GDP per capita in the Occupied Territories was only 30% of that in Israel, the corresponding values for Jordan show that the Jordan figure is around 14% of Israel, or the the GDP per capita in the Occupied Territories is about twice that in Jordan! The question arises, therefore, what type of targets should we be setting for an independent Palestine for the purpose of this exercise? To do that, we should look closer into these figures, always bearing in mind that we are seeking feasibility rather than making prescriptive recommendations. The final choices must always be with the Palestinian people. Our work can only be directed towards helping them make those choices.

A.1.16 If we compare Israel's GDP per capita in 1975 with Jordan's, we see that it is almost ten times as great. This in itself shows a great discrepancy, but at least it shows some closing of the gap, and is evidence of a much more marked difference in growth rates. In fact, the growth rate in GDP per capita in Israel over the period has been less than 0.5% per annum, while that in Jordan has been 7.1%. In fact, if measured only to 1980, the Jordanian growth rate has been 9.4%. It seems hard to imagine, but if the growth rates over the years to 1981 were to continue into the future, Jordan would overhaul Israel within a generation! (less than 30 years). Looked at in this way, the current discrepancies in the Palestinian and Israeli GDP's per capita do not look so daunting. The resource base of Palestine can be expected to rival that of Israel, in that Palestine's water resources exceed those of Israel, and the skills one can expect to be available with returning exiles, and the assistance it may expect from those remaining in the diaspora, will rival those which were made available to Israel during its formative years. We will illustrate too (pages) that capital for development can reasonably be expected to be available. Thus, growth rates of a reasonable magnitude, approaching if not matching Jordan, would not appear to be impossible, especially as Jordan's resource base is certainly not better than that of Palestine.

TABLE (A.1)

DIVISION OF GROSS DOMESTIC PRODUCT BY SECTOR

	Agriculture & Fishing	Mining & Quarrying	Manufacturing	Construction	Electricity gas and water	Wholesaling & Retailing	Transport & Communications	Finance & Insurance	Community & Social Services	TOTAL
Israel 1979	4.7	21.7		8.7	1.8	13.5	6.6	20.9	22.0	100
Jordan 1978	7.9	5.0	13.4	7.8	1.2	16.9	13.7	10.8	23.3	100
West Bank 1979	31.0	5.9		15.5		36.3			11.3	100
Gaza Strip 1979	22.2	10.8		24.1		27.2			15.7	100

SOURCES:

1)

2) Industrial and Economic Trends in the West Bank and Gaza Strip, ECWA, 1981

TABLE (A.2)

G.D.P., ISRAEL AND THE OCCUPIED TERRITORIES

		1979	1980	1981
ISRAEL	G.D.P. at Current Prices (million Israeli Shekels)	44,490	104,327	243,614
	At 1975 Prices	8,662	8,943	9,170
	Population (million)	3.79	3.87	3.95
	G.D.P. per capita (Shekels 1975)	2,275	2,311	2,322
OCCUPIED TERRITORIES	G.D.P. at Current Prices	2,969.4	7,529.7	16,451.5
	Consumer Price Index 1975 = 100	387.9	949.0	2,017.2
	At 1975 Prices	765.5	793.4	815.5
	Population (million)	1.13	1.15	1.16
	G.D.P. Per Capita (Shekels 1975)	677.4	689.9	703.0
	Ratios, Occupied Territories/Israel (G.D.P. per Capita)	.298	.299	.303

SOURCES: Israel

International Financial Statistics, I.M.F.
Various Dates.

Occupied Territories

Statistical Abstracts. Central Bureau of Statistics.
Israel 1982.

NOTE: The deflator used for the Occupied Territories is the Consumer Price Index, while the constant price G.D.P. for Israel has been taken from the I.M.F. sources directely as presented. The G.D.P. deflator used is not significantly different from the consumer price index shown for Israel (see Table ( )) but it is apparent that the Consumer Price Index for Israel has risen much more sharply than that for the Occupied Territories.

TABLE (A.3)

		1975	1976	1977	1978	1979	1980	1981
ISRAEL	G.D.P. at Current Prices (million Israeli Shekels)	7,803	9,852	14,390	23,745	44,490	104,327	243,614
	At 1975 Prices	7,803	7,862	7,966	8,385	8,622	8,943	9,170
	Shekel = $1	.639	.798	1.798	1.747	2.544	5.124	11.431
	Consumer Prices	100	131.4	176.9	266.4	474.9	1097.1	2378.5
	Population (million)	3.46	3.53	3.61	3.69	3.79	3.87	3.95
	G.D.P. Per Capita 1975 Prices (Shekels)	2,255	2,227	2,207	2,272	2,275	2,311	2,322
	1975 Prices (Dollars)	3,529	3,485	3,454	3,556	3,560	3,617	3,634
JORDAN	G.D.P. at Current Prices (million Jordanian Dinar)	406.5	430.3	525.2	644.6	787.2	998.4	1119.1
	At 1975 Prices	306.5	385.9	411.3	471.9	491.8	576.1	576.3
	Jordanian Dinar = $1	.319	.332	.329	.307	.300	.299	.326
	Consumer Prices	100	111.5	127.7	136.6	156.0	173.3	194.2
	Population (million)	2.70	2.78	2.90	3.01	3.13	3.24	3.36
	G.D.P. Per Capita 1975 Prices (J. Dinar)	113.5	138.8	141.8	156.8	157.1	177.8	171.5
	1975 Prices (Dollars)	355.3	434.5	443.9	490.7	691.8	556.5	536.9

SOURCES: International Financial Statistics, I.M.F. Various Dates, 1976-1983.

NOTE: The G.D.P. at 1975 prices for Israel is as given in those sources. That for Jordan has been calculated by deflation of current price figures by the Consumers Prices Index for Jordan, also given in those sources. Had the same process been used for the Israeli figures, the 'constant price' G.D.P.'s for Israel would have been slightly different, but would not have affected the conclusions.